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**SAUDI REINSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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<b>INDEX</b>	<b>PAGES</b>
INDEPENDENT AUDITORS' REPORT	1 – 4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF INCOME	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9 – 10
NOTES TO THE FINANCIAL STATEMENTS	11 – 81



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# INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## Opinion

We have audited the financial statements of **Saudi Reinsurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in the Kingdom of Saudi Arabia").

## Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For key audit matter, a description of how our audit addressed the matter is set out below:

## INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

### Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<p><b><u>Valuation of ultimate claims liabilities arising from reinsurance contracts</u></b></p> <p>As at 31 December 2022, the outstanding claims including claims incurred but not reported amounted to SR 1,355.5 million (2021: SR 1,210.4 million) as reported in Note 8 of the financial statements.</p> <p>The valuation of ultimate claims liabilities arising from reinsurance contracts is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>The Company uses an external actuary ("the management's expert / appointed actuary") to provide them with the estimate of ultimate claims liabilities.</p> <p>The Company and the management's expert used a range of actuarial methodologies to estimate these claims liabilities. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate claims liabilities, we have determined it to be a key audit matter.</p> <p>Refer to note 4 which discloses the estimates for the ultimate liability arising from claims under reinsurance contracts and note 3 which discloses accounting policies for claims.</p>	<ul style="list-style-type: none"> <li>• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the assessment of completeness and accuracy of the claims' estimates recorded.</li> <li>• We tested on a samples basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</li> <li>• We engaged our actuarial specialist to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also assessed the reasonableness of actuarial reserve report issued by the Company's appointed actuary.</li> <li>• We evaluated the completeness and accuracy of data used by the management in their calculation of ultimate reinsurance contract liabilities and evaluated the results of liability adequacy test.</li> <li>• We assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

### Other Information

Management are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, the Board of Directors of the Company, are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Reinsurance Company (the "Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**KPMG Professional Services**

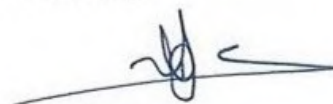


**Dr. Abdullah Hamad Al Fozan**  
Certified Public Accountant  
License No. 348



5 Ramadan 1444H  
27 March 2023

**AlAzem, AlSudairy, AlShaikh & Partners for Professional Consulting**



**Abdullah M. AlAzem**  
Certified Public Accountant  
License No. 335





**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2022**

	Notes	2022 SR	2021 SR
<b>ASSETS</b>			
Cash and cash equivalents	5	31,556,704	27,807,294
Time deposits	14	746,955,702	243,382,085
Accrued special commission income from time deposits		7,674,687	2,310,102
Reinsurance premium receivables, net	6	320,974,537	242,229,593
Investments held at fair value through income statement	7	287,154,293	803,584,596
Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments		5,175,895	6,810,473
Accrued reinsurance premiums	15	1,077,466,601	680,469,900
Retrocession balances receivable		23,730,685	13,063,654
Retroceded share of unearned premiums	11	449,092,548	67,952,509
Deferred excess of loss premiums		15,410,168	12,049,562
Retroceded share of outstanding claims	8	167,700,801	149,332,878
Retroceded share of claims incurred but not reported	8	31,630,743	38,033,087
Deferred policy acquisition costs	12	231,430,099	168,598,147
Held-to-maturity investments	18	387,652,522	298,022,312
Prepaid expenses, deposits and other assets	9	148,417,762	74,604,344
Property and equipment, net	13	36,379,209	37,155,827
Investment in an equity accounted investee	17	156,802,667	142,000,373
Statutory deposit	29	89,100,000	89,100,000
Accrued income on statutory deposit	29	22,084,429	20,962,172
<b>TOTAL ASSETS</b>		<b>4,236,390,052</b>	<b>3,117,468,908</b>
<b>LIABILITIES</b>			
Accounts payable		70,482,781	44,041,910
Margin loan payable	10	56,797,019	56,797,019
Retrocession balances payable		136,373,790	48,771,678
Accrued retroceded premiums		333,253,698	35,491,960
Unearned premiums	11	1,000,717,671	648,869,489
Outstanding claims	8	822,404,823	782,990,731
Claims incurred but not reported	8	533,120,986	427,396,736
Unearned retrocession commission	16	104,561,078	17,149,629
Accrued expenses and other liabilities	20	105,133,027	29,897,226
Employees' end of service benefits	19	13,867,730	12,288,391
Provision for zakat and tax	22	17,533,163	15,266,235
Accrued commission income payable to SAMA	29	23,219,213	20,962,172
<b>TOTAL LIABILITIES EXCLUDING REINSURANCE OPERATIONS' SURPLUS</b>		<b>3,217,464,979</b>	<b>2,139,923,176</b>
<b>REINSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus		18,908,904	13,549,575
<b>TOTAL REINSURANCE OPERATIONS' SURPLUS</b>		<b>18,908,904</b>	<b>13,549,575</b>
<b>TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS</b>		<b>3,236,373,883</b>	<b>2,153,472,751</b>
<b>EQUITY</b>			
Share capital	23	891,000,000	891,000,000
Statutory reserve	24	43,045,308	34,749,555
Retained earnings		68,678,196	35,495,182
Other reserves		(2,707,335)	2,751,420
<b>TOTAL EQUITY</b>		<b>1,000,016,169</b>	<b>963,996,157</b>
<b>TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS AND EQUITY</b>		<b>4,236,390,052</b>	<b>3,117,468,908</b>

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**STATEMENT OF INCOME**

**For the year ended 31 December 2022**

		2022	2021
	Notes	SR	SR
<b>REVENUES</b>			
Gross written premiums		1,403,280,920	1,115,879,700
Retroceded premiums		(462,919,962)	(123,897,906)
Excess of loss expenses		(41,761,879)	(33,014,126)
<b>Net written premiums</b>	11	<b>898,599,079</b>	<b>958,967,668</b>
Change in net unearned premiums	11	29,291,857	(104,237,572)
<b>Net earned premiums</b>	11	<b>927,890,936</b>	<b>854,730,096</b>
Retrocession commissions	16	14,815,510	19,675,509
<b>TOTAL REVENUES</b>		<b>942,706,446</b>	<b>874,405,605</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid		(537,845,426)	(471,215,536)
Retroceded share of claims paid		75,973,954	61,706,979
<b>Net claims paid</b>		<b>(461,871,472)</b>	<b>(409,508,557)</b>
Change in outstanding claims, net		(21,046,169)	(71,385,295)
Changes in incurred but not reported claims, net		(112,126,594)	(84,418,161)
<b>Net claims incurred</b>		<b>(595,044,235)</b>	<b>(565,312,013)</b>
Policy acquisition costs and profit commissions	12	(218,198,524)	(232,404,118)
Other underwriting expenses		(1,995,257)	(5,063,046)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(815,238,016)</b>	<b>(802,779,177)</b>
<b>NET UNDERWRITING INCOME</b>		<b>127,468,430</b>	<b>71,626,428</b>
<b>OTHER OPERATING INCOME / (EXPENSES)</b>			
Special commission income from time deposits		16,722,235	5,312,286
Realized gains on investments held at fair value through income statement	7(iii)	6,529,722	7,209,116
Unrealized (losses) / gains on investments held at fair value through income statement	7(iii)	(33,979,564)	4,912,672
Special commission income from bonds and sukuk		22,005,303	13,547,725
Special commission expense on margin loan payable		(1,207,363)	(432,140)
Dividend income		2,160,538	1,092,430
Share of profit of equity accounted investee	17	19,798,957	18,657,921
Investment management expenses		(3,718,859)	(3,355,754)
<b>Net investment income</b>		<b>28,310,969</b>	<b>46,944,256</b>
Other income		613,580	1,109,066
Charge for doubtful debts	6	(680,201)	(153,851)
General and administrative expenses	25	(74,343,820)	(55,458,811)
Board of directors' remunerations, meeting fees and expenses	26	(3,660,415)	(4,798,017)
Foreign exchange translation loss		(15,604,941)	(3,382,910)
<b>Total income for the year before zakat and tax</b>		<b>62,103,602</b>	<b>55,886,161</b>
<b>Total income attributed to the reinsurance operations</b>	33	<b>(5,359,329)</b>	<b>(2,571,223)</b>
<b>Net income for the year before zakat and tax attributable to the shareholders</b>	33	<b>56,744,273</b>	<b>53,314,938</b>
<b>Zakat and tax charge for the year</b>	22	<b>(15,265,506)</b>	<b>(15,005,543)</b>
<b>Net income for the year after zakat and tax attributable to the shareholders</b>		<b>41,478,767</b>	<b>38,309,395</b>
<b>Basic and diluted earnings per share for the year</b>	28	<b>0.47</b>	<b>0.43</b>

Managing Director / Chief Executive Officer

Chairman of the Board


Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.



**Saudi Reinsurance Company (A Saudi Joint Stock Company)****STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022**

	<i>Notes</i>	2022 SR	2021 SR
Net income for the year after zakat and tax attributable to shareholder		41,478,767	38,309,395
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified to income statement subsequently</i>			
Re-measurement loss on employee' end of service benefit obligations	19	(462,092)	(694,084)
<i>Items that may be classified to income statement subsequently</i>			
Share of foreign currency translation reserve of an equity accounted investee	17	(8,258,424)	(1,429,969)
		(8,720,516)	(2,124,053)
Total comprehensive income for the year		32,758,251	36,185,342

  
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Managing Director / Chief Executive Officer  
\_\_\_\_\_  
Chairman of the Board  
\_\_\_\_\_  
Chief Financial Officer

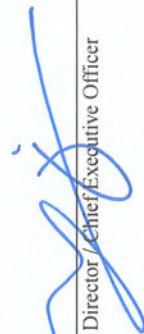
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**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2022**

	GCC Shareholders and General Public				Non – GCC Shareholders				Total				
	Share Capital SR	Statutory reserve SR	Retained earnings SR	Other reserves	Share capital SR	Statutory reserve SR	Retained earnings SR	Other reserves	Share Capital SR	Statutory reserve SR	Retained earnings SR	Other reserves	Total SR
Balance as at 1 January 2022	851,538,402	33,210,528	33,923,132	2,629,562	39,461,598	1,539,027	1,572,050	121,858	891,000,000	34,749,555	35,495,182	2,751,420	963,996,157
Transfer during the year	3,526,208	137,524	140,475	10,889	(3,526,208)	(137,524)	(140,475)	(10,889)	--	--	--	--	--
Net profit for the year	--	--	39,805,865	--	--	--	1,672,902	--	--	--	41,478,767	--	41,478,767
Total comprehensive loss	--	--	--	(8,368,804)	--	--	--	(351,712)	--	--	--	(8,720,516)	(8,720,516)
year	--	--	39,805,865	(8,368,804)	--	--	1,672,902	(351,712)	--	--	41,478,767	(8,720,516)	32,758,251
Transfer to statutory reserve	--	7,961,173	(7,961,173)	--	--	334,580	(334,580)	--	--	8,295,753	(8,295,753)	--	--
Share of capital contribution of investment in equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance as at 31 December 2022	855,064,610	41,309,225	65,908,299	(2,598,144)	35,935,390	1,736,083	2,769,897	(109,191)	891,000,000	43,045,308	68,678,196	(2,707,335)	1,000,016,169
Balance as at 1 January 2021	769,472,640	25,732,412	81,552,521	231,922	40,527,360	1,355,264	4,295,145	12,207	810,000,000	27,087,676	85,847,666	244,129	923,179,471
Addition during the year	77,412,582	--	(77,412,582)	--	3,587,418	--	(3,587,418)	--	81,000,000	--	(81,000,000)	--	--
Transfer during the year	4,653,180	155,575	493,028	1,395	(4,653,180)	(155,575)	(493,028)	(1,395)	--	--	--	--	--
Net profit for the year	--	--	36,612,706	--	--	--	1,696,689	--	--	--	38,309,395	--	38,309,395
Other comprehensive income	--	--	--	(2,029,981)	--	--	--	(94,072)	--	--	--	(2,124,053)	(2,124,053)
Total comprehensive income for the year	--	--	36,612,706	(2,029,981)	--	--	1,696,689	(94,072)	--	--	38,309,395	(2,124,053)	36,185,342
Transfer to statutory reserve	--	7,322,541	(7,322,541)	--	--	339,338	(339,338)	--	--	7,661,879	(7,661,879)	--	--
Share of capital contribution of investment in equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance as at 31 December 2021	851,538,402	33,210,528	33,923,132	2,629,562	39,461,598	1,539,027	1,572,050	121,858	891,000,000	34,749,555	35,495,182	2,751,420	963,996,157

  
Managing Director / Chief Executive Officer

  
Chairman of the Board

  
Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2022**

	Notes	2022 SR	2021 SR
<b>OPERATING ACTIVITIES</b>			
Total income for the year before zakat and tax		62,103,602	55,886,161
<i>Adjustments to reconcile total income for the year before zakat and tax to net cash used in operating activities:</i>			
Employees' end of service benefits expenses	19	1,561,131	1,341,020
Special commission income from bond and sukuk		(19,332,886)	(10,134,671)
Special commission expense from margin loan payable		1,207,363	432,140
Special commission income from time deposits		(16,722,235)	(5,312,286)
Amortisation of discount and premium on held to maturity investments, net	18	(2,672,417)	(3,413,054)
Depreciation of property and equipment	25	2,822,173	2,612,955
Gain on disposal of property and equipment		--	(41,454)
Realized gains on investments held at fair value through income statement	7(iii)	(6,529,722)	(7,209,116)
Unrealized losses / (gains) on investments held at fair value through income statement	7(iii)	33,979,564	(4,912,672)
Share of profit of equity accounted investee	17	(19,798,957)	(18,657,921)
Charge for doubtful debts	6	680,201	153,851
Operating income before changes in operating assets and liabilities		37,297,817	10,744,953
<b>Changes in operating assets and liabilities:</b>			
Reinsurance premiums receivable, net		(79,424,793)	51,371,704
Accrued reinsurance premiums		(396,996,701)	(86,206,823)
Retroceded share of unearned premiums		(381,140,039)	3,909,265
Unearned premiums		351,848,182	100,328,307
Retroceded share of outstanding claims		(18,367,923)	5,341,430
Retroceded share of claims incurred but not reported		6,402,344	7,763,206
Deferred acquisition costs		(62,831,952)	(19,194,868)
Deferred excess of loss premiums		(3,360,606)	734,131
Prepaid expenses, deposits and other assets		(73,813,418)	214,494,540
Accounts payable		26,440,871	12,067,123
Retrocession balances receivable		(10,667,031)	16,445,367
Retrocession balances payable		87,602,112	(28,448,079)
Accrued retroceded premiums		297,761,738	(4,320,405)
Outstanding claims		39,414,092	66,043,865
Claims incurred but not reported		105,724,250	76,654,955
Unearned commission income		87,411,449	1,344,444
Statutory deposit		--	(8,100,000)
Accrued expenses and other liabilities		75,235,801	6,036,462
<b>Cash generated from operating activities</b>		<b>88,536,193</b>	<b>427,009,577</b>
Zakat and tax paid	22	(12,998,578)	(14,913,138)
Employees' end of service benefits paid	19	(443,884)	(419,904)
<b>Net cash generated from operating activities</b>		<b>75,093,731</b>	<b>411,676,535</b>
<b>INVESTING ACTIVITIES</b>			
Addition in time deposits		(534,383,617)	(308,318,750)
Proceeds from maturity of time deposits		30,810,000	258,396,167
Special commission income received on time deposits		11,357,650	6,213,677
Special commission income received from bonds and sukuk		20,967,464	9,504,843
Special commission income received on statutory deposit	29	1,134,784	--
Purchase of property and equipment, net		(2,045,907)	(6,143,496)
Proceeds from sale of property and equipment		--	41,500
Additions in investments held at fair value through income statement	7(iii)	(215,791,396)	(843,620,691)
Proceeds from disposal of investments held at fair value through income statement	7(iii)	704,771,857	564,239,261
Additions in held to maturity investments	18	(110,957,793)	(110,586,537)
Proceeds from maturity of held-to-maturity investments	18	24,000,000	--
<b>Net cash used in investing activities</b>		<b>(70,136,958)</b>	<b>(430,274,026)</b>

*Continued*

The accompanying notes 1 to 36 form an integral part of these financial statements.

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**For the year ended 31 December 2022**

	<i>Notes</i>	<b>2022 SR</b>	<b>2021 SR</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from margin loans	<b>10</b>	--	33,680,203
Special commission expense paid against margin loan		<b>(1,207,363)</b>	(432,140)
<b>Net cash (used in) / generated from financing activities</b>		<b>(1,207,363)</b>	33,248,063
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		<b>3,749,410</b>	14,650,572
		<b>27,807,294</b>	13,156,722
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>5</b>	<b>31,556,704</b>	27,807,294
<b>NON-CASH INFORMATION</b>			
Remeasurement loss on end-of-service benefit obligations	<b>19</b>	<b>(462,092)</b>	(694,084)
Foreign currency impact on equity accounted investment	<b>17</b>	<b>(8,258,424)</b>	(1,429,969)
Depreciation on right of use assets		<b>220,134</b>	50,082
Interest expense on lease liability		<b>14,473</b>	4,618

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.



## **1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Saudi Reinsurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 (Entity number: 7001556021) dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company’s registered office is at 4130 Northern Ring Road Al Wadi, Unit number 1, Riyadh 13313-6684, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

## **2. BASIS OF PREPARATION**

### **(a) Basis of presentation**

The financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standard “IFRS” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, time deposits, accrued special commission income from time deposits, reinsurance premium receivables (net), investments held at fair value through income statement, accrued special commission income from bonds and sukuk, retrocession balance receivables, deferred excess of loss premiums, retroceded share of outstanding claims, retroceded share of claims incurred but not reported, prepaid expenses, deposits and other assets, accounts payable, margin loan payable, retrocession balances payable, outstanding claims, claims incurred but not reported, accrued expenses and other liabilities, provision for zakat and tax and accumulated surplus. The following balances would generally be classified as non-current: held to maturity investments, accrued reinsurance premiums, retroceded share of unearned premiums, deferred policy acquisition costs, property and equipment, net, investment in an equity accounted investee, statutory deposit, accrued income on statutory deposit, accrued retroceded premiums, unearned premiums, unearned retrocession commission, employees end of service benefits and accrued commission income payable to SAMA.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Reinsurance Operations and Shareholders’ Operations and presents the financial statements accordingly (refer to Note 33). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 33 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by the Saudi Central Bank (‘SAMA’) implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the reinsurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the reinsurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

For preparing the financial statements in compliance with IFRS, the balances and transactions of the reinsurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the reinsurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the reinsurance operations with the financial information of the Company in the statement of financial position, statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

Surplus is distributed between reinsurance operations and shareholders operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from reinsurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on reinsurance operations is transferred to the shareholders' operation in full.

**2. BASIS OF PREPARATION (CONTINUED)****(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments held at fair value through income statement and Investment in an equity accounted investee which is accounted for under the equity method and End of Service Benefits (EOSB) at present value of future obligations using projected unit credit method.

**(c) Functional and presentation currency**

These financial statements have been presented in Saudi Arabian Riyals (SR), which is also the functional currency of the Company.

**(d) Fiscal year**

The Company's fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 annual financial statements.

**A. Amendments to existing standards**

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

<b>Standard / Amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'</i> specify which costs a Company includes when assessing whether a contract will be loss-making.</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective**

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts	See note below

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for reinsurance and retrocession contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements except for IFRS 9 and IFRS 17 as explained below.

**IFRS 17 – Insurance Contracts**

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

➤ **Structure and status of the Implementation project**

The Company considers implementing IFRS 17 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Actuarial, Finance, IT, Operations and other respective businesses to achieve a successful and robust implementation. The project is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. The Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by Saudi Central Bank ("SAMA"), the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

***IFRS 17 – Insurance Contracts (continued)***

➤ **Significant Judgements and Accounting Policy Choices**

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of this Standard i.e., 01 January 2023:

**a) Contracts within/outside the scope of IFRS 17**

A contract is reinsurance contract that falls under the scope of IFRS 17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features (“DPF”). IFRS 17 identifies reinsurance contracts as those contracts under which the Company accepts significant insurance risk from another party (the insurer), by agreeing to compensate the insurer if a specified uncertain future event (the insured event), adversely affects the insurer.

A retrocession contract held is defined as an insurance contract issued by one entity (the retrocessionaires), to compensate another entity for claims arising from one or more reinsurance contracts issued by that other entity (reinsurance contracts). Even if a retrocession contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the retrocessionaires substantially all the insurance risk relating to the reinsured portions of the underlying reinsurance contracts.

An assessment of the reinsurance contracts issued, and retrocession contracts held by the Company reveal that they all qualify for measurement and presentation under IFRS 17.

**b) Combination/Unbundling of Contracts**

At inception, the Company separates the following components from reinsurance or retrocession contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of reinsurance or retrocession contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.
- any promises to transfer distinct goods or non-insurance services: The Company separates any promises to transfer distinct goods or non-insurance services and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A good or service is distinct if the insurer can benefit from it either on its own or with other resources that are readily available to the insurer. A good or service is not distinct and is accounted for together with the reinsurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the reinsurance component, and the Company provides a significant service of integrating the good or service with the reinsurance component.

The Company does not underwrite any reinsurance or retrocession contracts that contain embedded derivatives or distinct investment components. Furthermore, the Company's reinsurance portfolio does not contain any non-insurance components that will need to be unbundled from reinsurance contracts.

**c) Level of Aggregation**

The Company identifies portfolios of reinsurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for insurers with different characteristics are included in the same group.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

*IFRS 17 – Insurance Contracts (continued)*

**c) Level of Aggregation (continued)**

As for reinsurance contracts issued, the Company identifies portfolios of retrocession contracts which are subject to similar risks and are managed together. Contracts within a portfolio are then grouped into cohorts by issue date not further than a year apart. Cohorts are divided into “groups” at inception that at least separate retrocession contracts between those that are a net gain at initial recognition, a net cost at initial recognition but have no significant likelihood of becoming a net gain and the remaining contracts.

The Company will categorize each retrocession contract as a unique portfolio. As with the reinsurance contracts, all retrocession contracts held are to be grouped into annual cohorts and split into profitability groups based on the best estimate expected profitability of the groups at inception.

**d) Measurement - Overview**

IFRS 17 introduces 3 new measurement models, reflecting the nature of reinsurance contracts.

*General Measurement Model*

IFRS 17 introduces a generalized measurement model called the General Measurement Model (GMM) which shall be applicable to all kinds of reinsurance and retrocession contracts, to the extent that they do not contain any direct participation features in any underlying invested assets.

The General Measurement Model has the following building blocks:

- a) the fulfilment cash flows (FCF), which comprise:
  - probability-weighted estimates of future cash flows,
  - an adjustment to reflect the time value of money (i.e., discounting) and the financial risks associated with those future cash flows,
  - and a risk adjustment for non-financial risk.
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of reinsurance contracts and will be recognized as the Company provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of reinsurance contracts is remeasured to be the sum of:

- the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims (LIC), which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services, but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e., discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The GMM is also applicable for the measurement of the liability for incurred claims. However, the Companies are not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Standards issued but not yet effective (continued)

*IFRS 17 – Insurance Contracts (continued)*

d) Measurement - Overview

*The Variable Fee Approach (VFA)*

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to adjustment under GMM, the CSM is also adjusted for:

- the Company’s share of the changes in the fair value of underlying items.
- the effect of changes in the time value of money and financial risks not relating to the underlying items.

*Premium Allocation Approach (PAA)*

It is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. The PAA behaves in a very similar manner as the current unearned premium and acquisition expenses approach under IFRS 4 with some notable differences as the introduction of a financing component for contracts having premiums and services more than 1 year apart as well as the method to recognize loss components.

The Company will apply the GMM to both reinsurance contracts issued, and retrocession contracts held for all the segments. When measuring liabilities for remaining coverage, the Company will now discount the future cash flows and includes an explicit risk adjustment for non-financial risk.

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

The Company has opted to apply the GMM to all reinsurance and retrocession contracts and hence will not be required to carry out a PAA Eligibility Assessment.

ii. Discount rates

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. The discount rates applied to the estimates of the future cash flows in discounting shall:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the reinsurance contracts;
- Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The yield curve will be derived from each currency’s risk-free yield curve, plus illiquidity premium as follows:

- The currencies will have its own curve if the currencies current reserves is more than 1% of the total. The remaining will be grouped into the USD currency.
- The risk-free curves for each currency are local government or semi-government issued bonds denominated in local currency
- One ‘illiquidity premium’ will be calculated and applied to all the yield curves and it is assumed 0.5% based on Solvency II.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

***IFRS 17 – Insurance Contracts (continued)***

**e) Significant Judgements and Estimates (continued)**

*iii. Risk adjustment for non-financial risk*

The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from reinsurance contracts, other than uncertainty arising from financial risk.

Risk adjustment considers the risk appetite of the Company and applies the Cost of Capital Approach based on the Company's Internal Capital Model as base Capital Requirement to arrive at the required Risk Adjustment. The total provision including the Best Estimate Liability and Risk Adjustment are expected to fall between the 62nd to 67th percentile of the Loss Distribution.

The Company will adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk.

*iv. CSM release pattern*

The amount of the CSM recognised in the statement of income for services provided in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of reinsurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group.
- the expected coverage duration of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Company uses the amount that it expects the insurers to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

*v. Onerousness determination*

To facilitate aggregation and composition of groups of contracts, the Company will carry out a profitability grouping exercise of contracts at their inception. For each contract, the Company will estimate the combined ratio at initial recognition of the contract. The combined ratio considers the expected loss, attributable expenses, risk adjustment and discount factor. Based on the estimated combined ratio, the Company will use rule-based assessment to determine the onerousness grouping as follows:

- Contract is onerous if combined ratio is above 100%.
- Contract is profitable with no significant possibility of becoming onerous if combined ratio is below 95%.
- Otherwise, contract is profitable with significant possibility of becoming onerous.

*vi. Provision for Doubtful Debts*

The impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

*vii. Retrocessionaire default provision*

The impact of expected receipts from retrocession contracts written under IFRS 17 has not been finalized as at the date of these financial statements. The Company is progressing to quantify the impact of expected receipts adjustment relating to reinsurance contracts written under IFRS 17 and expects the amount to be available for first IFRS 17 and 9 financial statements for the period ended 31 March 2023.

*viii. VAT treatment*

VAT is generally made part of the fulfilment cash flows only to the extent of non-recoverable VAT paid also being recorded as part of the G&A expenses of the Company and subsequently under IFRS 17 is considered part of attributable expenses. This non-recoverable VAT is minimal compared to overall G&A Expenses.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

**f) Accounting Policy Choices**

*i. Length of Cohorts*

Under the guidance of the IFRS 17, the Company shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business, since it determines a corresponding time limit.

This enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and would result in increased measurement requirements.

The Company has decided the length of cohort to be on an annual basis.

*ii. Use of OCI for Insurance Finance Income or Expense*

In reference to the presentation in statement of income – Insurance finance income or expense, the Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.

*iii. Unwinding of Discount on Risk Adjustment*

In reference to the presentation in statement of income - Disaggregation of risk adjustment, the Company has decided that the entire change in risk adjustment will be presented in the insurance service results.

*iv. Expense Attribution*

The expense attribution under IFRS 17 requires Companies to categorize expenses as acquisition, attributable and non-attributable expenses. In this regard, the Company allocates expenses based on activity-based costing also taking in regards the recommendations made by the SAMA IFRS 17 Working Group.

*v. Deferral of Acquisition Cost*

In reference to the recognition of acquisition costs, the Company has decided to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

*vi. Policyholder Surplus accounting*

The policyholder surplus being an accumulation of the 10% profit sharing with policyholders is accounted for as a deposit and kept outside the scope of IFRS 17. Currently, for the Company being a reinsurer, there is not much clarity on the treatment or use of the policyholder surplus.

**g) Presentation and Disclosures**

In the statement of financial position, deferred acquisition costs and reinsurance-related receivables will no longer be presented separately but as part of the reinsurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from retrocession contracts held need to be presented separately from the expenses or income from reinsurance contracts issued.

IFRS 17 contains an accounting policy option to recognize changes in financial parameters either in statement of income or in other comprehensive income. The Company has opted to include all reinsurance finance income or expense for the year in the statement of income.



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## B. Standards issued but not yet effective (continued)

## IFRS 17 – Insurance Contracts (continued)

## h) Transition

## i. Choice of Method

For the purposes of transition, the Company will use modified retrospective approach for all lines of business which allows the companies to adjust initial recognition calculations for already written business to equal actual transactions up to the transition date and projected cash-flows thereafter without going back to adjusting the CSM roll-forward up to the transition dates based on the past estimates at interim reporting periods.

## ➤ Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of by SR 29.88 million to SR 59.36 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

<b>Drivers of Changes in Equity</b>	<b>Impact on equity on transition to IFRS 17 on 1 January 2022</b>
Changes in measurement of reinsurance contracts issued	Decrease by SR 42.85 million to SR 57.08 million
Changes in measurement of retrocession contracts held	Decrease by SR 16.51 million to increase by SR 27.20 million
<b>Total impact</b>	<b>Decrease by 29.88 million to SR 59.36 million</b>

## Impact on Liabilities and Assets

<b>Particulars</b>	<b>Impact on transition to IFRS 17 on 1 January 2022</b>
Risk adjustment	Increase by SR 22.49 million to SR 24.61 million
Discounting	Decrease by 39.68 million to SR 75.45 million
CSM	Increase by SR 121.70 million to SR 157.18 million
Other drivers	Decrease by SR 49.35 million to SR 61.67 million
<b>Total Impact on Reinsurance Liabilities</b>	<b>Increase by SR 42.85 million to SR 57.08 million</b>
Risk adjustment	Increase by SR 4.32 million to SR 5.01 million
Discounting	Decrease by SR 12.06 million to SR 17.35 million
Other drivers	Decrease by SR 8.77 million to increase by SR 39.55 million
<b>Total Impact on Retrocession Assets</b>	<b>Decrease by SR 16.52 million to increase by SR 27.20 million</b>

The estimated range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

***IFRS 9 – Financial Instruments***

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

**a) Financial Assets – Classification**

The Company conducted a preliminary IFRS 9 Classification and Measurement assessment (“C&M”) for the financial assets held as at 31 December 2021 in response to SAMA’s circular No. 239.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through statement of income (“FVSI”). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, a financial asset is classified on the basis of both:

- a. the entity’s business model for managing the financial asset; and
- b. the contractual cash flow characteristics of the financial asset.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

The Company classifies its financial assets in the following measurement categories:

- Fair value through statement of income (FVSI);
- Fair value through other comprehensive income (FVOCI); or
- Held at amortized cost.

The classification requirements for debt and equity instruments are described below:

***Debt instruments***

Classification and subsequent measurement of debt instruments depend on:

- the Company’s business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

***Business model***

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVSI.

***Solely payments of principal and profit***

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

***IFRS 9 – Financial Instruments (continued)***

**a) Financial Assets – Classification (continued)**

Based on these factors, the Company will classify its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method. As at 31 December 2022, the Company does not have any equity instruments classified under this category.
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

***Equity instruments***

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company will classify all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. As at 31 December 2022, the Company does not have any equity instruments classified under this category.

***Reclassification of financial assets***

The Company will reclassify the financial assets between FVTPL and amortized cost if and only if under rare circumstances and if its business model objective for its financial assets changes so its previous business model assessment would no longer apply. Financial assets are not reclassified after their initial recognition, except in the period after the entity changes its business model for managing financial assets.

**b) Financial Assets – Impairment**

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Standards issued but not yet effective (continued)**

***IFRS 9 – Financial Instruments (continued)***

**b) Financial Assets – Impairment**

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default (“PD”),
- Loss given default (“LGD”), and
- Exposure at default (“EAD”).

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

A global database of sovereign and corporate credit ratings and GDP movements was built dating from 1969 to present day, with specific emphasis placed on data post 1990. The objective of these studies was to understand the movement of credit ratings in times of economic stress and any subsequent / lagging effects. Relative movements in credit ratings and PDs were modelled rather than actual default rates given the superior model fits that could be obtained and better back-testing of model results and diagnostics.

For sovereign counterparties, S&P’s 2020 Sovereign Default Rate Study was used in the mapping of rating movements to PDs. These rating changes could then be mapped to relative changes in risk over time implied by the PDs. These PD changes were then regressed on the historical GDP growth. The period over which to fit the regression model was informed through a combination of maximizing correlation between GDP and historical growth as well as expert judgement. The final regression model forecasts future rating change movements and hence scalars to apply to sovereign PDs relevant to current risk levels.

A KSA specific model was created in addition to a peer group model and regional model. Peer group was established as all A rated entities classified as high-income segments by World Bank. The regional Group comprised primarily of Middle Eastern and North African sovereigns. In order to use the Saudi Arabian GDP forecasts in the peer and regional group forecasts, the GDP forecasts are mapped onto a normal distribution, parameterized on historical GDP growth rates, and the equivalent percentile is then used in the alternative models.

Each of the above three models produce forward-looking adjustment scalars. The model allows the user to assign weights to each of the model outputs. The final forward-looking adjustment scalar is then calculated as a weighted average of the three model outputs. Management applied judgement when assigning weights to the scalars.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B. Standards issued but not yet effective (continued)****IFRS 9 – Financial Instruments (continued)****c) Financial Liabilities**

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVSI are recognised in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

**d) Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - i. The determination of the business model within which a financial asset is held.
  - ii. The designation and revocation of previous designated financial assets and liabilities as measured at FVSI. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale.
  - iii. The designation of certain investments in equity instruments not held for trading as FVOCI. In general, cash and cash equivalents, short term deposits and debt securities held until maturity have been designated as such.

*Estimated Change in the Company's Total Equity due to initial application of IFRS 9*

Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (before tax) to the balance of the Company's total equity is estimated to be a reduction of SR 1.51 million at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023

<b>Adjustments due to adoption of IFRS 9</b>	<b>1 January 2022</b>
Classification of financial assets	Increase by SR 0.09 million
Impairment of financial assets	Decrease by SR 1.60 million
<b>Total Impact</b>	<b>Decrease by SR 1.51 million</b>

*Overall Impact on Equity due to Transition to IFRS 17 and IFRS 9*

Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes before tax is a reduction in the total equity of SR 31.39 million to SR 60.87 million at 1 January 2022.

<b>Transition To</b>	<b>Change in Equity @ 1 January 2022</b>
IFRS 17	Decrease by SR 29.88 million to SR 59.36 million
IFRS 9	Decrease by SR 1.51 million
<b>Total Impact</b>	<b>Decrease by SR 31.39 million to SR 60.87 million</b>

The Company has investment in ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL") which is disclosed in note 17. The Company has accounted for this investment as an equity accounted investee. PHBL operates in insurance and reinsurance businesses including Lloyd's market in London, United Kingdom. PHBL is at its initial phase of carrying out the IFRS 17 and 9 implementation exercise and implementing the IFRS 17 and 9 calculation engines and IT systems. Therefore, the impact of IFRS 17 and 9 implementation of PHBL cannot be quantified at the present stage. Accordingly, the IFRS 17 and 9 transition impact on the Company's equity disclosed above does not include the effect of any changes in PHBL's numbers due to the adoption of IFRS 17 and 9.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Significant accounting policies adopted in the preparation of these financial statements**

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022.

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months from the date of acquisition.

**Gross written premiums**

Gross written premiums comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

Where contract terms require the reinstatement of coverage after a ceding Company's loss, the mandatory reinstatement premiums are calculated in accordance with the contract terms.

**Reinsurance premium receivable**

Reinsurance premium receivable are recognized when notified by cedants and are measured on initial recognition at the fair value of the considerations received or receivable. Subsequently, it is measured at amortized cost. The carrying value of reinsurance premium receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Reinsurance premium receivable are derecognized when the derecognition criteria for financial assets have been met.

**Retrocession**

The Company uses retrocession agreements to reduce its exposure to risks assumed to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. Amounts receivable from retrocession is estimated in a manner consistent with the claim liability associated with the reinsured parties. An impairment review of amounts recoverable under retrocession agreements is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of income.

Premiums and claims are presented on a gross basis for both assumed reinsurance and retroceded business.

Retrocession liabilities represent balances due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract. Retroceded assets and liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

**Deferred policy acquisition costs (DAC)**

Direct costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of unearned premium. Subsequent to initial recognition, deferred costs are amortized using the same basis as for unearned premiums. Amortization is recorded in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. DAC is also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment in an equity accounted investee**

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the financial statements include the share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

**Investments held at fair value through income statement**

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realised gains and losses are recognized in the statement of income.

**Held to maturity investments**

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

**Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

**Trade date accounting**

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of financial assets**

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive can be measured reliably. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

**Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of income as they are consumed or expire with the passage of time.

**Property and equipment**

Property and equipment is stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred. Land and capital work-in-progress are not depreciated.

The cost of all other property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building	33
Computers and equipment	3-5
Furniture and fixtures	5
Motor vehicles	4
Leasehold improvements	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income or taken into income in the year the asset is derecognised.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Lease**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating special commission rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

#### **Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Claims**

Claims, comprise of amounts of claims estimates notified by ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to statement of income.

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year. The Company does not discount its liabilities for unpaid claims as substantially most claims are expected to be paid within one year of the financial reporting date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratios which are reviewed at regular intervals by the Company's appointed actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on gross basis and the related share of retroceded is shown separately.

**Liability adequacy test**

At each statement of financial position date, a liability adequacy test is performed to ensure the adequacy of the reinsurance contracts liabilities net of related deferred acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows, claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income initially by writing off related deferred acquisition costs and subsequently, by establishing a provision for losses arising from liability adequacy tests.

**End of service benefits**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

**Short term employee benefits**

Short term employee benefits obligation are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or any other benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Zakat**

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Adjustments arising from the final zakat assessments are recorded in the period in which such assessments are made.

**Income tax**

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

**Withholding tax**

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

**Value Added Tax (VAT)**

Output VAT related to revenue is payable to tax authorities on the earlier of:

- (a) collection of receivables from customers or
- (b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to statement of income as expense

**Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

**Premiums earned and commission income**

Premiums and commission income are earned over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and are deferred based on the following methods:

- Actual number of days for facultative reinsurance, non-proportional reinsurance treaties and portfolio transferred from insurance companies.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Premiums earned and commission income (continued)**

- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

<u>Line of business</u>	<u>Years</u>
Engineering	4
Others	2
Special contracts	Based on underlying terms and nature

The change in the provision for unearned premiums and commission income is taken to the statement of income in order to recognize revenue over the period to cover the reinsurance risks.

**Deferred Excess of Loss premiums**

The Company uses non-proportional excess of loss retrocession agreements on loss occurring basis to reduce its exposure arising from per risk, catastrophic losses on risks assumed and to manage underwriting capacity. The costs related to these agreements are amortized over the period of underwriting contracts and charged to statement of income.

**Special commission income**

Special commission income is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

***Dividend income***

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

**General and administrative expenses**

All expenses incurred during the fiscal year not directly relating to underwriting are classified as general and administrative expenses.

**Foreign currencies**

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of income.

**Segmental reporting**

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues, incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company is organised into business units based on their products, services and has seven reportable operating segments as follows:

- Engineering is a comprehensive insurance cover that is available to the insured in respect of contingencies which may happen on a construction or erection site. It provides an all risks cover for the works as well as a liability cover towards third parties for material damage or injury sustained as a result of the work being undertaken. The cover is also available for machinery.
- Fire insurance pays for specific losses when a property is damaged due to fire, flood, earthquake and other external perils. It may also provide indemnity for loss of profit in case of an industrial or commercial activity.
- Marine insurance covers the loss or damage to cargo, terminals and or damage of ships or other means of transport of cargo by which property is transferred between the points of origin and final destination.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Segmental reporting (continued)**

- Motor insurance pays for loss or damage to own motor vehicles involved in accidents. It also pays for losses caused by its use to third party properties and bodily injuries
- Protection includes term and credit life insurance. Term life insurance is used to provide financial aid for dependents in case of death and in certain cases of illness or disability. It can be an individual or a group policy with set duration limit on the coverage with the option to renew the policy or not. Credit life insurance is used to pay off a borrower's debt if that borrower dies, with set duration limit on coverage with the option to renew the policy or not.
- General accident covers a variety of events/properties such as money, liabilities and personal accident whether for individual or group.
- Speciality includes Company's participation in Lloyd's market which specialises in writing worldwide property, marine, energy, speciality and non-U.S. liability insurance.
- Others include following business segments:
  - Whole accounts covers ceding Company's retention (mainly in property, engineering, marine hull, marine cargo and sometimes include general accident and/or motor) on excess of loss basis
  - Aviation (covers Aviation Hull, Aviation Liabilities and Spare Parts)
  - Energy (covers Property Damage, Liabilities and Business Interruption)
  - Agriculture (covers standing crops)
  - Political Risk (covers Political violence, Sabotage and Terrorism)

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

**Contingencies and commitments**

Contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognised in the consolidated financial statements and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Company to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

##### **Accrued reinsurance premium**

Estimates have to be made for expected future premium for policies already written but not reported at the reporting date. Due to the nature of reinsurance business, it takes a significant period of time before all premiums are reported for a given underwriting period. The accrued reinsurance premium at the reporting date is determined by using actuarial techniques therefore, considerable judgement, experience and knowledge of the business is required by management in the estimation of accrued premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated accrued premium income.

The accrued premium estimates are reviewed regularly by the management by using various methods, but primarily by using historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analysed by underwriting year, by type and line of business.

##### **Determination of whether control exist over associate**

The Company has investment in an associate which is not 'controlled' by the Company and therefore, the associate is not consolidated in these financial statements. Determining whether the Company controls the associate usually focuses on the assessment whether the Company is exposed to, or has the right to, variable returns from its involvement with the associate and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more of the elements of control.

##### **The ultimate liability arising from claims made under reinsurance contracts**

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the end of financial reporting date.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Risk and Underwriting Committee, in conjunction with the Company's external actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

##### **Deferred policy acquisition costs**

Commission and other costs directly and indirectly related to the acquisition and renewal of reinsurance contracts are recorded as deferred acquisition costs ("DAC") and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment.



**4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Fair values of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Investment Committee, in conjunction with the Company's external fund managers, evaluates the performance of each investment to determine whether the same is reasonable in comparison to the market.

The Company's management evaluates the changes in the fair value of each of the other assets and liabilities, to determine whether the applied methodology is reasonable.

**Going concern**

The financial statements have been prepared on a going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

5. CASH AND CASH EQUIVALENTS

		<b>Reinsurance operations</b>	
		<b>2022</b>	<b>2021</b>
		<b>SR</b>	<b>SR</b>
Cash in hand (A)		<b>59,710</b>	52,781
Bank balances (A)		<b>20,447,316</b>	21,815,318
		<b>20,507,026</b>	21,868,099
		<b>Shareholders' operations</b>	
		<b>2022</b>	<b>2021</b>
		<b>SR</b>	<b>SR</b>
Bank balances (B)		<b>11,049,678</b>	5,939,195
<b>Total Bank balances and cash (A+B)</b>		<b>31,556,704</b>	27,807,294

Cash at banks are placed with counterparties which have investment grade credit ratings of BBB+ and above.

6. REINSURANCE PREMIUMS RECEIVABLES, NET

**Reinsurance operations**

	<b>2022</b>	<b>2021</b>
	<b>SR</b>	<b>SR</b>
Policyholders	<b>324,354,438</b>	244,929,293
Less: provision for doubtful debts	<b>(3,379,901)</b>	(2,699,700)
	<b>320,974,537</b>	242,229,593

The movement in provision for doubtful debt is as follows:

	<b>2022</b>	<b>2021</b>
	<b>SR</b>	<b>SR</b>
Opening balance	<b>2,699,700</b>	2,545,849
Charge for the year	<b>680,201</b>	153,851
Closing balance	<b>3,379,901</b>	2,699,700

As at 31 December, the ageing of gross reinsurance premium receivables is as follows:

		<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>			<b>Past due and impaired</b>	<b>Total</b>
		<b>SR</b>	<b>Less than 90 days</b>	<b>91 to 180 days</b>	<b>More than 180 days</b>	<b>SR</b>	<b>SR</b>
<b>2022</b>							
Policyholders, net of payables		<b>183,737,324</b>	<b>102,282,282</b>	<b>30,571,974</b>	<b>4,382,957</b>	<b>3,379,901</b>	<b>324,354,438</b>
<b>Total</b>		<b>183,737,324</b>	<b>102,282,282</b>	<b>30,571,974</b>	<b>4,382,957</b>	<b>3,379,901</b>	<b>324,354,438</b>
		<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>			<b>Past due and impaired</b>	<b>Total</b>
		<b>SR</b>	<b>Less than 90 days</b>	<b>91 to 180 days</b>	<b>More than 180 days</b>	<b>SR</b>	<b>SR</b>
<b>2021</b>							
Policyholders, net of payables		146,551,924	37,784,672	24,087,882	33,805,115	2,699,700	244,929,293
<b>Total</b>		146,551,924	37,784,672	24,087,882	33,805,115	2,699,700	244,929,293

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts. The five largest customers account for 45% (2021: 37%) of the reinsurance premium receivable as at 31 December 2022.

Reinsurance premium receivables include premium deposits of SR 49,908,299 (2021: SR 48,662,934) and claims deposits of SR 24,880,073 (2021: SR 16,635,171). These deposits are retained by the cedants as per the terms of reinsurance treaties and are of rolling nature. These deposits are released within 12 months after the expiry of the reinsurance treaty.

As at 31 December 2022, the Company does not have receivable from related parties (2021: Nil)

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following:

	2022			2021		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Money market funds	71,560,649	--	71,560,649	343,047,268	61,287,382	404,334,650
Investment funds	--	9,391,200	9,391,200	--	145,093,747	145,093,747
Equities	--	41,143,329	41,143,329	--	41,318,244	41,318,244
Fixed-rate bonds/sukuk	84,915,707	80,143,408	165,059,115	97,377,992	115,459,963	212,837,955
	<b>156,476,356</b>	<b>130,677,937</b>	<b>287,154,293</b>	<b>440,425,260</b>	<b>363,159,336</b>	<b>803,584,596</b>

ii. The analysis of the composition of investments for reinsurance and shareholders' operations is as follows:

	2022		
	Quoted SR	Unquoted SR	Total SR
<b>Reinsurance operations</b>			
Money market funds	71,560,649	--	71,560,649
Fixed-rate bonds/sukuk	84,915,707	--	84,915,707
	<b>156,476,356</b>	<b>--</b>	<b>156,476,356</b>

	2022		
	Quoted SR	Unquoted SR	Total SR
<b>Shareholders' operations</b>			
Money market funds	--	--	--
Investment funds	9,391,200	--	9,391,200
Equities	41,143,329	--	41,143,329
Fixed-rate bonds/sukuk	65,642,659	14,500,749	80,143,408
	<b>116,177,188</b>	<b>14,500,749</b>	<b>130,677,937</b>

	2021		
	Quoted SR	Unquoted SR	Total SR
<b>Reinsurance operations</b>			
Money market funds	343,047,268	--	343,047,268
Fixed-rate bonds/sukuk	97,377,992	--	97,377,992
	<b>440,425,260</b>	<b>--</b>	<b>440,425,260</b>

	2021		
	Quoted SR	Unquoted SR	Total SR
<b>Shareholders' operations</b>			
Money market funds	61,287,382	--	61,287,382
Investment funds	145,093,747	--	145,093,747
Equities	41,318,244	--	41,318,244
Fixed-rate bonds/sukuk	74,598,466	40,861,497	115,459,963
	<b>322,297,839</b>	<b>40,861,497</b>	<b>363,159,336</b>

The following table shows an analysis of financial instruments under reinsurance and shareholders' operations measured at fair value by level of the fair value hierarchy:

	2022			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<b>Reinsurance operations</b>				
Money market funds	--	71,560,649	--	71,560,649
Fixed-rate bonds/sukuk	84,915,707	--	--	84,915,707
	<b>84,915,707</b>	<b>71,560,649</b>	<b>--</b>	<b>156,476,356</b>

	2022			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<b>Shareholders' operations</b>				
Money market funds	--	--	--	--
Investment funds	--	9,391,200	--	9,391,200
Equities	41,143,329	--	--	41,143,329
Fixed-rate bonds/sukuk	65,642,659	--	14,500,749	80,143,408
	<b>106,785,988</b>	<b>9,391,200</b>	<b>14,500,749</b>	<b>130,677,937</b>

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

	2021			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<b>Reinsurance operations</b>				
Money market funds	--	343,047,268	--	343,047,268
Fixed-rate bonds/sukuk	97,377,992	--	--	97,377,992
	<u>97,377,992</u>	<u>343,047,268</u>	<u>--</u>	<u>440,425,260</u>
	2021			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<b>Shareholders' operations</b>				
Money market funds	--	61,287,382	--	61,287,382
Investment funds	--	145,093,747	--	145,093,747
Equities	41,318,244	--	--	41,318,244
Fixed-rate bonds/sukuk	74,598,466	--	40,861,497	115,459,963
	<u>115,916,710</u>	<u>206,381,129</u>	<u>40,861,497</u>	<u>363,159,336</u>

Fair values of money market and investment funds are based on the net assets value ("NAV") as disclosed in the fund's latest available financial statements. The discounted cash flow ("DCF") model has been used to value the level 3 debt securities. This model considers the present value of net cash flows to be generated from the debt security, discounted at the market yield of similar quoted instruments. The estimate is adjusted for the effect of non-marketability of the debt securities. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

	Opening	Purchase	Maturity	Realized gain	Unrealized loss	Closing
<b>2022</b>	<b>40,861,497</b>	--	<b>(25,000,000)</b>	--	<b>(1,360,748)</b>	<b>14,500,749</b>
2021	88,788,465	--	(47,820,148)	971,790	(1,078,610)	40,861,497

Sensitivity Analysis

For the fair value of level 3 investments, reasonable possible changes at the reporting date to one of the unobservable inputs, holding other inputs constant, would have the following effects.

	2022	2021
<b>Fixed rate investments held at fair value through income statement</b>	<b>14,500,749</b>	40,861,497
Impact on unrealized gain for the year ended:		
<i>If increased by 5% in market rate</i>	<b>(41,218)</b>	(18,703)
<i>If decreased by 5% in market rate</i>	<b>41,413</b>	18,729

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2022 and year ended 31 December 2021.

iii. The movement of investments held at fair value through income statement is as follows:

	2022			2021		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Opening balance	440,425,260	363,159,336	803,584,596	201,003,059	311,078,319	512,081,378
Additions	52,590,590	163,200,806	215,791,396	477,229,172	366,391,519	843,620,691
Disposals	(326,166,316)	(378,605,541)	(704,771,857)	(241,420,157)	(322,819,104)	(564,239,261)
Unrealized (losses) / gains	(12,111,434)	(21,868,130)	(33,979,564)	1,811,515	3,101,157	4,912,672
Realized gains	1,738,256	4,791,466	6,529,722	1,801,671	5,407,445	7,209,116
<b>Closing balance</b>	<b>156,476,356</b>	<b>130,677,937</b>	<b>287,154,293</b>	<b>440,425,260</b>	<b>363,159,336</b>	<b>803,584,596</b>

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

iv. The geographical split of investments held at fair value through income statement is as follows:

	Domestic		International		Total	
	2022 SR	2021 SR	2022 SR	2021 SR	2022 SR	2021 SR
<b>Reinsurance operations</b>						
Money market funds	71,560,649	343,047,268	--	--	71,560,649	343,047,268
Fixed-rate bonds/sukuk	--	--	84,915,707	97,377,992	84,915,707	97,377,992
	<b>71,560,649</b>	<b>343,047,268</b>	<b>84,915,707</b>	<b>97,377,992</b>	<b>156,476,356</b>	<b>440,425,260</b>
	Domestic		International		Total	
	2022 SR	2021 SR	2022 SR	2021 SR	2022 SR	2021 SR
<b>Shareholders' operations</b>						
Money market funds	--	61,287,382	--	--	--	61,287,382
Investment funds	9,391,200	145,093,747	--	--	9,391,200	145,093,747
Equities	41,143,329	41,318,244	--	--	41,143,329	41,318,244
Fixed-rate bonds/sukuk	14,500,749	40,861,497	65,642,659	74,598,466	80,143,408	115,459,963
	<b>65,035,278</b>	<b>288,560,870</b>	<b>65,642,659</b>	<b>74,598,466</b>	<b>130,677,937</b>	<b>363,159,336</b>
<b>Total</b>	<b>136,595,927</b>	<b>631,608,138</b>	<b>150,558,366</b>	<b>171,976,458</b>	<b>287,154,293</b>	<b>803,584,596</b>

v. The analysis of investments by counterparty is as follows:

	2022 SR			2021 SR		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>Fixed income</b>						
Saudi Government	--	14,500,749	14,500,749	--	40,861,497	40,861,497
Corporate and financial institutions	84,915,707	65,642,659	150,558,366	97,377,992	74,598,466	171,976,458
	<b>84,915,707</b>	<b>80,143,408</b>	<b>165,059,115</b>	<b>97,377,992</b>	<b>115,459,963</b>	<b>212,837,955</b>
<b>Others</b>						
Money Market Funds	71,560,649	--	71,560,649	343,047,268	61,287,382	404,334,650
Investment Funds	--	9,391,200	9,391,200	--	145,093,747	145,093,747
Equities	--	41,143,329	41,143,329	--	41,318,244	41,318,244
	<b>71,560,649</b>	<b>50,534,529</b>	<b>122,095,178</b>	<b>343,047,268</b>	<b>247,699,373</b>	<b>590,746,641</b>
<b>Total</b>	<b>156,476,356</b>	<b>130,677,937</b>	<b>287,154,293</b>	<b>440,425,260</b>	<b>363,159,336</b>	<b>803,584,596</b>



**8. CLAIMS**

	<b>2022</b>	2021
	<b>SR</b>	<b>SR</b>
Outstanding claims	<b>822,404,823</b>	782,990,731
Claims incurred but not reported	<b>533,120,986</b>	427,396,736
	<b>1,355,525,809</b>	1,210,387,467
Less:		
- Retroceded share of outstanding claims	<b>167,700,801</b>	149,332,878
- Retroceded share of claims incurred but not reported	<b>31,630,743</b>	38,033,087
	<b>199,331,544</b>	187,365,965
<b>Net outstanding claims reserves</b>	<b>1,156,194,265</b>	1,023,021,502

**9. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS**

	2022			2021		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholder s' operations SR	Total SR
Refundable deposit (refer Note 22c)	103,274	37,754,216	37,857,490	103,274	37,754,216	37,857,490
Advances to employees	1,344,516	--	1,344,516	574,371	--	574,371
Prepaid expenses	841,822	606,385	1,448,207	822,499	652,509	1,475,008
Retroceded share of deposits received against						
Inherent Defects Insurance	62,115,699	--	62,115,699	--	--	--
Value added tax	44,767,148	--	44,767,148	34,215,590	--	34,215,590
Others	574,767	309,935	884,702	481,885	--	481,885
	109,747,226	38,670,536	148,417,762	36,197,619	38,406,725	74,604,344

**10. MARGIN LOAN PAYABLE**

In 2020, the Company obtained a margin loan amounting to SR 23,116,816. During 2021, additional drawdown was made amounting to SR 33,680,203. Both of margin loans were fully collateralized against underlying bonds and sukuks. As at 31 December 2022, the fair value of collateral against margin loan payable amount to SR 148,772,872 (2021: SR 164,013,225).

As at 31 December 2022, the outstanding balance of margin loan payable is SR 56,797,019 (2021: SR 56,797,019). The loan has no fixed maturity and carries a floating special commission payable on quarterly basis.

**11. UNEARNED PREMIUMS - NET**

	2022		
	Gross	Retroceded	Net
	SR	share	SR
	SR	SR	SR
Opening balance	648,869,489	(67,952,509)	580,916,980
Premiums written during the year	1,403,280,920	(504,681,841)	898,599,079
Net premium earned	(1,051,432,738)	123,541,802	(927,890,936)
Change in net unearned premiums	351,848,182	(381,140,039)	(29,291,857)
Closing balance	1,000,717,671	(449,092,548)	551,625,123

	2021		
	Gross	Retroceded	Net
	SR	share	SR
	SR	SR	SR
Opening balance	548,541,182	(71,861,774)	476,679,408
Premiums written during the year	1,115,879,700	(156,912,032)	958,967,668
Net premiums earned	(1,015,551,393)	160,821,297	(854,730,096)
Change in net unearned premiums	100,328,307	3,909,265	104,237,572
Closing balance	648,869,489	(67,952,509)	580,916,980

**11. UNEARNED PREMIUMS - NET (CONTINUED)**

The table below shows the breakdown of reinsurance premium written and earned during the year per domicile:

	<b>2022</b>		
	<b>KSA SR</b>	<b>Non-KSA SR</b>	<b>Total SR</b>
Booked premium	<b>396,631,795</b>	<b>553,334,989</b>	<b>949,966,784</b>
Pipeline premium*	<b>391,397,934</b>	<b>61,916,202</b>	<b>453,314,136</b>
Total premium	<b>788,029,729</b>	<b>615,251,191</b>	<b>1,403,280,920</b>
Change in unearned premium on booked premium	<b>38,723,754</b>	<b>8,699,617</b>	<b>47,423,371</b>
Change in unearned premium on pipeline premium	<b>(384,456,769)</b>	<b>(14,814,784)</b>	<b>(399,271,553)</b>
Total change in unearned premium	<b>(345,733,015)</b>	<b>(6,115,167)</b>	<b>(351,848,182)</b>
Earned portion on booked premium	<b>435,355,549</b>	<b>562,034,606</b>	<b>997,390,155</b>
Earned portion on pipeline premium	<b>6,941,165</b>	<b>47,101,418</b>	<b>54,042,583</b>
Total earned premium	<b>442,296,714</b>	<b>609,136,024</b>	<b>1,051,432,738</b>
	<b>2021</b>		
	<b>KSA SR</b>	<b>Non-KSA SR</b>	<b>Total SR</b>
Booked premium	438,067,393	533,111,558	971,178,951
Pipeline premium*	44,090,530	100,610,219	144,700,749
Total premium	482,157,923	633,721,777	1,115,879,700
Change in unearned premium on booked premium	(45,424,727)	(3,471,217)	(48,895,944)
Change in unearned premium on pipeline premium	(20,964,396)	(30,467,967)	(51,432,363)
Total change in unearned premium	(66,389,123)	(33,939,184)	(100,328,307)
Earned portion on booked premium	392,642,666	529,640,341	922,283,007
Earned portion on pipeline premium	23,126,134	70,142,252	93,268,386
Total earned premium	415,768,800	599,782,593	1,015,551,393

\*Pipeline premiums are those premiums written but not reported (expected to be reported in future) to the Company at the statement of financial position date. Pipeline premiums are reported as accrued reinsurance premiums in the statement of financial position.

**12. DEFERRED POLICY ACQUISITION COSTS**

	<b>2022 SR</b>	<b>2021 SR</b>
Opening balance	<b>168,598,147</b>	149,403,279
Incurred during the year	<b>281,030,476</b>	251,598,986
Charged for the year	<b>(218,198,524)</b>	(232,404,118)
Closing balance	<b>231,430,099</b>	168,598,147

13. PROPERTY AND EQUIPMENT, NET

Reinsurance operations:	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Right of Use Assets SR	Total SR
<b>Cost:</b>							
As at 1 January 2022	17,298,036	376,529	1,144,713	982,014	5,273,162	660,129	25,734,583
Additions during the year	555,401	--	--	--	576,278	708,929	1,840,608
Disposals during the year	(2,116,604)	(11,452)	--	--	--	(660,129)	(2,788,185)
<b>As at 31 December 2022</b>	<b>15,736,833</b>	<b>365,077</b>	<b>1,144,713</b>	<b>982,014</b>	<b>5,849,440</b>	<b>708,929</b>	<b>24,787,006</b>
<b>Accumulated depreciation:</b>							
As at 1 January 2022	15,260,732	362,286	665,464	366,596	--	610,047	17,265,125
Charge for the year	1,411,103	7,779	143,766	108,430	--	220,134	1,891,212
Disposals during the year	(2,116,258)	(11,446)	--	--	--	(660,129)	(2,787,833)
<b>As at 31 December 2022</b>	<b>14,555,577</b>	<b>358,619</b>	<b>809,230</b>	<b>475,026</b>	<b>--</b>	<b>170,052</b>	<b>16,368,504</b>
<b>Net book value</b>							
<b>As at 31 December 2022</b>	<b>1,181,256</b>	<b>6,458</b>	<b>335,483</b>	<b>506,988</b>	<b>5,849,440</b>	<b>538,877</b>	<b>8,418,502</b>

Shareholders' operations:	Land SR	Building SR	Furniture and Fixtures SR	Total SR
<b>Cost:</b>				
As at 1 January 2022	18,329,960	12,061,207	4,706,907	35,098,074
Additions during the year	--	--	205,299	205,299
<b>As at 31 December 2022</b>	<b>18,329,960</b>	<b>12,061,207</b>	<b>4,912,206</b>	<b>35,303,373</b>
<b>Accumulated depreciation:</b>				
As at 1 January 2022	--	2,720,754	3,690,951	6,411,705
Charged for the year	--	374,151	556,810	930,961
<b>As at 31 December 2022</b>	<b>--</b>	<b>3,094,905</b>	<b>4,247,761</b>	<b>7,342,666</b>
<b>Net book value:</b>				
<b>As at 31 December 2022</b>	<b>18,329,960</b>	<b>8,966,302</b>	<b>664,445</b>	<b>27,960,707</b>

**Total net book value as at 31 December 2022** **36,379,209**

Reinsurance operations:	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improvements SR	Work-in - Progress* SR	Right of Use Assets SR	Total SR
<b>Cost:</b>							
As at 1 January 2021	16,326,945	366,669	723,661	982,014	1,457,554	660,129	20,516,972
Additions during the year	1,135,760	9,860	575,101	--	3,815,608	--	5,536,329
Disposals during the year	(164,669)	--	(154,049)	--	--	--	(318,718)
<b>As at 31 December 2021</b>	<b>17,298,036</b>	<b>376,529</b>	<b>1,144,713</b>	<b>982,014</b>	<b>5,273,162</b>	<b>660,129</b>	<b>25,734,583</b>
<b>Accumulated depreciation:</b>							
As at 1 January 2021	14,024,968	359,967	723,661	270,454	--	371,213	15,750,263
Charged for the year	1,400,389	2,319	95,850	96,142	--	238,834	1,833,534
Disposals during the year	(164,625)	--	(154,047)	--	--	--	(318,672)
<b>As at 31 December 2021</b>	<b>15,260,732</b>	<b>362,286</b>	<b>665,464</b>	<b>366,596</b>	<b>--</b>	<b>610,047</b>	<b>17,265,125</b>
<b>Net book value</b>							
<b>As at 31 December 2021</b>	<b>2,037,304</b>	<b>14,243</b>	<b>479,249</b>	<b>615,418</b>	<b>5,273,162</b>	<b>50,082</b>	<b>8,469,458</b>

\* Work-in-progress represents certain advances for the IT infrastructure.

**13. PROPERTY AND EQUIPMENT, NET (CONTINUED)**

Shareholders' operations:	Land SR	Building SR	Furniture and Fixtures SR	Total SR
Cost:				
As at 1 January 2021	18,329,960	11,454,040	4,706,907	34,490,907
Additions during the year	--	607,167	--	607,167
As at 31 December 2021	18,329,960	12,061,207	4,706,907	35,098,074
Accumulated depreciation:				
As at 1 January 2021	--	2,373,662	3,258,622	5,632,284
Charged for the year	--	347,092	432,329	779,421
As at 31 December 2021	--	2,720,754	3,690,951	6,411,705
Net book value:				
As at 31 December 2021	18,329,960	9,340,453	1,015,956	28,686,369
Total net book value as at 31 December 2021				<u>37,155,827</u>

**14. TIME DEPOSITS**

Time deposits are placed with banks which have credit ratings of BBB and above. Such deposits earn special commission at an average effective commission rate of 3.72% (2021: 2.51%) per annum and have average term of 4 years (2021: 4 years).

**15. ACCRUED REINSURANCE PREMIUMS**

The gross written premiums (GWP) of proportional treaty and facultative reinsurance contracts include estimates of premiums due to the Company but not yet reported by the cedant. This portion of GWP is considered as pipeline premium and accounted in the Statement of Financial Position as 'Accrued reinsurance premiums' net of related acquisition costs. These pipeline/accrued premiums are estimated at the inception of the reinsurance contract based on cedents/brokers forecasts and management's evaluation of these forecasts. Management reviews and evaluates all premium estimates, comparing actual premiums to expected ultimate premiums on a quarterly basis and any adjustments to these estimates are recorded in the financial statements as and when updated information comes to light.

**16. UNEARNED RETROCESSION COMMISSION**

	2022 SR	2021 SR
Opening balance	17,149,629	15,805,185
Commission received on retroceded business during the year	102,226,959	21,019,953
Commission earned on retroceded business during the year	(14,815,510)	(19,675,509)
Closing balance	<u>104,561,078</u>	<u>17,149,629</u>

**17. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE**

	<b>2022</b>	2021
	<b>SR</b>	SR
Opening balance	<b>142,000,373</b>	120,141,077
Share of profit of equity accounted investee	<b>19,798,957</b>	18,657,921
Company's share of Other comprehensive income - Impact of foreign currency exchange	<b>(8,258,424)</b>	(1,429,969)
Share of capital contribution of investment in equity accounted investee	<b>3,261,761</b>	4,631,344
31 December	<b>156,802,667</b>	142,000,373

The Company, on 6 October 2017, acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL"). The Company has accounted for this investment as an associate (equity accounted investee). PHBL operates in insurance and reinsurance businesses including Lloyds market in London, United Kingdom.

The Company has recognized its share of the management shareholders' share of capital contribution of investment in equity accounted investee amounting to SR 3.3 million during the year, relating to the share options that were granted to certain employees of PHBL by the management shareholders, that are funded into an Employee Benefit Trust by them.

The following table summarizes the financial information of PHBL as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in PHBL.

	<b>2022</b>	2021
	<b>SR</b>	SR
<b>Percentage ownership interest</b>	<b>49.90%</b>	49.90%
Total assets	<b>1,504,915,644</b>	1,360,963,729
Total liabilities	<b>1,220,017,201</b>	1,105,729,202
<b>Net assets (100%)</b>	<b>284,898,443</b>	255,234,527
<b>Company's share of net assets (49.90%)</b>	<b>142,164,323</b>	127,362,029
<b>Goodwill</b>	<b>14,638,344</b>	14,638,344
<b>Carrying amount of interest in associate</b>	<b>156,802,667</b>	142,000,373
Revenue	<b>326,139,109</b>	266,178,903
Profit from continuing operations	<b>39,677,269</b>	37,390,624
Other comprehensive income - Impact of foreign currency exchange	<b>(16,549,948)</b>	(2,865,670)
Total comprehensive income (100%)	<b>23,127,321</b>	34,524,954
Company's share of profit	<b>19,798,957</b>	18,657,921
Company's share of Other comprehensive income - Impact of foreign currency exchange	<b>(8,258,424)</b>	(1,429,969)
<b>Company's share of total comprehensive income (49.90%)</b>	<b>11,540,533</b>	17,227,952



18. HELD-TO-MATURITY INVESTMENTS

	<i>Reinsurance operations</i>	
	2022	2021
	SR	SR
At the beginning of the year	25,000,000	--
Purchases	--	25,000,000
<b>Balance at the end of the year (A)</b>	<b>25,000,000</b>	<b>25,000,000</b>
	<i>Shareholders' operations</i>	
	2022	2021
	SR	SR
At the beginning of the year	273,022,312	184,022,721
Purchases	110,957,793	85,586,537
Maturities	(24,000,000)	--
Amortization of discount / premium, net	2,672,417	3,413,054
<b>Balance at the end of the year (B)</b>	<b>362,652,522</b>	<b>273,022,312</b>
<b>Total held to maturity investments (A+B)</b>	<b>387,652,522</b>	<b>298,022,312</b>

Following is the breakdown of held to maturity investments per domicile:

	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	2022	2021	2022	2021	2022	2021
Reinsurance Fixed rate bond and sukuk	25,000,000	25,000,000	--	--	25,000,000	25,000,000
Shareholders' Fixed rate bond and sukuk	231,104,694	133,439,990	131,547,828	139,582,322	362,652,522	273,022,312
<b>Held to maturity</b>	<b>256,104,694</b>	<b>158,439,990</b>	<b>131,547,828</b>	<b>139,582,322</b>	<b>387,652,522</b>	<b>298,022,312</b>

The special commission rate on these sukuk and bonds ranges from 2.15% to 8.38% and will mature in 2030, latest. The total accrued interest on these sukuk and bonds amounted to SR 3.7 million (2021: SR 3.4 million) classified under accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments.

Movements in held to maturity investments are as follows:

	<b>2022</b>		
	Quoted SR	Unquoted SR	Total SR
<i>Reinsurance operations</i>			
At the beginning of the year	--	25,000,000	25,000,000
Purchases	--	--	--
<b>Balance at the end of the year (A)</b>	<b>--</b>	<b>25,000,000</b>	<b>25,000,000</b>
	<b>2022</b>		
	Quoted SR	Unquoted SR	Total SR
<i>Shareholders' operations</i>			
At the beginning of the year	258,022,312	15,000,000	273,022,312
Purchases	110,957,793	--	110,957,793
Maturities	(24,000,000)	--	(24,000,000)
Amortization of discount / (premium)	2,672,417	--	2,672,417
<b>Balance at the end of the year (B)</b>	<b>347,652,522</b>	<b>15,000,000</b>	<b>362,652,522</b>
<b>Total held to maturity investments (A+B)</b>	<b>347,652,522</b>	<b>40,000,000</b>	<b>387,652,522</b>
	<b>2021</b>		
	Quoted SR	Unquoted SR	Total SR
<i>Reinsurance operations</i>			
At the beginning of the year	--	--	--
Purchases	--	25,000,000	25,000,000
<b>Balance at the end of the year (A)</b>	<b>--</b>	<b>25,000,000</b>	<b>25,000,000</b>

18. HELD-TO-MATURITY INVESTMENTS (CONTINUED)

	2021		
	Quoted SR	Unquoted SR	Total SR
<i>Shareholders' operations</i>			
At the beginning of the year	169,022,721	15,000,000	184,022,721
Purchases	85,586,537	--	85,586,537
Amortization of discount / (premium)	3,413,054	--	3,413,054
Balance at the end of the year (B)	258,022,312	15,000,000	273,022,312
Total held to maturity investments (A+B)	258,022,312	40,000,000	298,022,312

19. EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employee end-of-service benefits for the years ended 31 December are as follows:

	2022 SR	2021 SR
Balance at beginning of the year	12,288,391	10,673,191
Current service cost	1,106,079	1,024,807
Interest cost	455,052	316,213
<b>Amount recognized in income statement</b>	<b>1,561,131</b>	<b>1,341,020</b>
Re-measurement loss recognized in other comprehensive income	462,092	694,084
Benefits paid during the year	(443,884)	(419,904)
<b>Balance at the end of the year</b>	<b>13,867,730</b>	<b>12,288,391</b>

Net defined benefit as at year-end is as follows:

	2022 SR	2021 SR
Present value of defined benefit obligation	13,867,730	12,288,391

*Principal actuarial assumptions*

The principal actuarial assumptions used are as follows:

	2022	2021
Salary growth rate	2.90%	2.90%
Mortality rates	10%	10%
Discount rate	4.72%	3.89%

Assumption on withdrawal rates are as follows:

	2022	2021
Employee age		
20 – 35	30%	30%
35 – 40	20%	20%
40 – 45	20%	20%
45 – 100	--	--

*Sensitivity analysis*

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	2022		2021	
	Increase	Decrease	Increase	Decrease
Salary growth (0.5% movement)	571,871	(541,514)	534,410	(505,163)
Mortality rates (10% movement)	350	(356)	(3,322)	6,660
Discount rate (0.5% movement)	(507,337)	539,421	(476,077)	507,223
Withdrawal rate (50% movement)	(327,207)	217,092	(470,899)	381,234

**19. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)**

*Risks associated with defined benefit plans*

*Salary increase risk:*

The retirement benefit of the Company is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

*Longevity risks*

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**20. ACCRUED EXPENSES AND OTHER LIABILITIES**

	2022			2021		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Consultancy fees	941,210	--	941,210	1,338,250	--	1,338,250
Employees' bonus	6,306,663	--	6,306,663	5,235,299	--	5,235,299
Withholding tax payable	418,574	49,292	467,866	151,994	47,751	199,745
Professional fees payable	1,021,227	1,125,198	2,146,425	1,023,353	938,079	1,961,432
Directors' remunerations	--	1,900,000	1,900,000	--	1,900,000	1,900,000
Meetings fees and expenses	--	955,000	955,000	--	--	--
Deposits received against Inherent Defects Insurance	63,926,709	--	63,926,709	--	--	--
Value added tax payable	19,644,096	--	19,644,096	9,638,298	--	9,638,298
Unallocated loss adjustment expenses	4,429,600	--	4,429,600	--	--	--
SAMA supervision fees	1,032,678	--	1,032,678	3,303,759	--	3,303,759
Others	2,863,616	672,664	3,536,280	4,804,095	1,516,348	6,320,443
	<b>100,430,873</b>	<b>4,702,154</b>	<b>105,133,027</b>	<b>25,495,048</b>	<b>4,402,178</b>	<b>29,897,226</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**21. CLAIMS DEVELOPMENT TABLE**

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the future underwriting years' reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross reinsurance contract outstanding claims and IBNR provision for 2022:

Underwriting year	2012 and prior SR	2013 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	2019 SR	2020 SR	2021 SR	2022 SR	Total SR
At end of underwriting year	177,565,565	149,402,912	184,231,909	242,728,277	166,267,303	323,560,488	282,831,889	248,740,712	280,902,478	328,909,284	262,486,487	
One year later	463,758,484	344,228,030	360,219,868	1,074,743,558	324,048,753	576,963,497	539,563,402	422,832,375	516,532,228	703,048,055		
Two years later	544,739,197	290,112,923	350,425,942	1,095,518,847	352,196,791	607,942,353	532,756,041	435,145,795	578,110,183			
Three years later	544,256,687	289,836,213	370,528,846	1,068,163,227	360,149,086	635,391,519	530,496,344	441,480,622				
Four years later	556,342,513	295,560,915	363,998,517	1,064,368,673	351,483,662	652,240,936	527,369,936					
Five years later	537,752,192	295,920,333	365,260,904	1,057,430,481	365,444,867	655,870,563						
Six years later	542,404,816	297,286,661	364,410,626	1,060,179,866	357,061,503							
Seven years later	536,517,495	295,341,654	364,475,688	1,057,901,476								
Eight years later	532,349,547	297,549,821	363,362,558									
Nine years later	533,265,501	293,173,312										
Ten years later	530,329,834											
Current estimate of cumulative claims incurred	530,329,834	293,173,312	363,362,558	1,057,901,476	357,061,503	655,870,563	527,369,936	441,480,622	578,110,183	703,048,055	262,486,487	5,770,194,529
Cumulative payments to date	(520,161,268)	(281,014,440)	(346,196,944)	(1,035,004,123)	(318,647,875)	(593,142,855)	(441,818,559)	(340,561,386)	(292,637,377)	(256,236,651)	10,752,758	(4,414,668,720)
Total gross outstanding claims and claims incurred but not reported provision per the statement of financial position	10,168,566	12,158,872	17,165,614	22,897,353	38,413,628	62,727,708	85,551,377	100,919,236	285,472,806	446,811,404	273,239,245	1,355,525,809

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**21. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

Net reinsurance contract outstanding claims and IBNR provision for 2022:

Underwriting year	2012 and prior SR	2013 SR	2014 SR	2015 SR	2016 SR	2017 SR	2018 SR	2019 SR	2020 SR	2021 SR	2022 SR	Total SR
At end of underwriting year	126,804,072	149,622,902	156,137,999	231,126,743	165,314,261	219,104,644	218,615,217	151,400,260	231,961,998	307,192,228	215,174,066	
One year later	269,835,478	332,081,892	316,800,613	994,226,860	325,244,631	410,535,835	427,567,472	316,464,005	438,505,220	636,767,141		
Two years later	354,500,649	282,327,873	311,680,480	1,008,411,285	341,080,047	455,321,351	451,638,168	331,955,503	507,552,513			
Three years later	365,216,893	282,125,164	342,110,021	985,848,692	355,423,583	444,474,595	450,490,700	350,965,654				
Four years later	370,893,618	283,425,994	339,134,581	987,086,976	346,698,613	458,098,595	437,779,889					
Five years later	360,921,004	283,610,964	341,005,938	984,113,721	360,667,432	454,219,162						
Six years later	365,956,293	284,953,720	328,684,468	986,861,970	352,206,856							
Seven years later	360,689,576	287,834,744	329,226,785	984,563,442								
Eight years later	359,622,321	290,052,751	328,118,429									
Nine years later	361,884,719	285,760,273										
Ten years later	360,321,964											
Current estimate of cumulative claims incurred	360,321,964	285,760,273	328,118,429	984,563,442	352,206,856	454,219,162	437,779,889	350,965,654	507,552,513	636,767,141	215,174,066	4,913,429,389
Cumulative payments to date	(351,539,047)	(273,742,906)	(312,684,954)	(964,627,943)	(315,099,818)	(398,710,122)	(385,393,551)	(260,777,312)	(273,186,524)	(231,879,355)	10,406,408	(3,757,235,124)
Net outstanding claims and claims incurred but not reported provision per the statement of financial position	8,782,917	12,017,367	15,433,475	19,935,499	37,107,038	55,509,040	52,386,338	90,188,342	234,365,989	404,887,786	225,580,474	1,156,194,265



**Saudi Reinsurance Company (A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2022****22. ZAKAT AND INCOME TAX****a) Zakat**

Zakat charge for the year of SR 15,232,686 (2021: SR 14,965,272) is based on the following:

	2022 SR	2021 SR
Share Capital	891,000,000	810,000,000
Statutory reserve – beginning of the year	34,749,555	27,087,676
Retained earnings – beginning of the year	35,495,182	85,847,666
Adjusted net income for the year	52,852,924	57,830,799
Accumulated surplus	13,549,575	10,978,352
Other reserves	2,751,420	244,129
Provisions	15,223,428	13,478,357
	<b>1,045,622,084</b>	<b>1,005,466,979</b>
<b>Deductions:</b>		
Statutory deposit	(89,100,000)	(89,100,000)
Others non-current assets	(412,299,524)	(361,233,879)
<b>Zakat base</b>	<b>544,222,560</b>	<b>555,133,100</b>
<b>Zakat base for Saudi shareholders 99.60% (2021: 99.60%)</b>	<b>542,045,670</b>	<b>552,912,568</b>
<b>Zakat provision for the year</b>	<b>15,232,686</b>	<b>14,965,272</b>

**b) Income tax**

Income tax for the year of SR 32,820 (2021: SR 40,271) is based on the following:

	2022 SR	2021 SR
Net income for the year	62,103,602	55,886,161
Adjusted profit	54,699,387	57,433,091
Portion of net taxable income for non-Saudi shareholders 0.40% (2021: 0.40%)	218,798	229,732
Non-GCC share in losses carried forward up to 25% of their share from the portion of taxable income	(54,699)	(57,433)
KSA operations' income tax base	164,098	172,299
<b>Income tax provision for the year</b>	<b>32,820</b>	<b>40,271</b>

**a) The movement of the provision for zakat and income tax is as follows:**

	2022 SR	2021 SR
Opening balance	15,266,235	15,173,830
Income tax provision for the year	32,820	40,271
Zakat provision for the year	15,232,686	14,965,272
Paid during the year	(12,998,578)	(14,913,138)
Closing balance	17,533,163	15,266,235

The Company has recorded zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the Zakat, Tax and Customs Authority (ZATCA), in which Saudi public listed companies are to provide for tax and zakat based on the shareholding percentages of GCC and non-GCC founding shareholders. The shareholding percentages of GCC and non-GCC founding shareholders were 99.6% and 0.4% respectively as at 31 December 2022 (2021: 99.60% and 0.4%).

**Saudi Reinsurance Company (A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2022****22. ZAKAT AND INCOME TAX (CONTINUED)****b) Status of assessment**

The Company has filed its tax / Zakat returns for the year ended 31 December 2021 and obtained the final Zakat certificate up to 2021. However, it is Zakat, Tax, and Customs Authority (ZATCA)'s discretion to issue further assessments for 2021.

In October 2021, the ZATCA has issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 3.1 million and SR 4.2 million, respectively. The Company filed an appeal with Tax Committee for Resolution of Tax Violations and Disputes (Level 1) against this additional amount. On 8<sup>th</sup> September 2022, the Tax Violations and Disputes Committee (Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling for which it has overturned the appeal and ruled in favor of the Company. Following the issuance of the written ruling, the ZATCA will have 30 days to appeal to the Appellate Committee at the Appeal Committee for Tax Violations and Disputes (Level 2). The Company also has the right to file a response to ZATCA's appeal.

**c) Status of VAT assessment**

Other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Customs Authority (ZATCA) for 2018 and 2019 financial years amounting to SR 35 million (2021: SR 35 million). The ZATCA accepted the Company's objection regarding local and standard rated purchases and refunded the full amount of SR 3.5 million in early 2021 and rejected the objection for remaining amount. The Company has filed an appeal with The General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") (formerly known as The General Secretariat of Tax Committees ("GSTC")) against the ZATCA's rejection decision. ZATCA filed a counter-reply to the Company's appeal with GSTC in April 2021. The Company has filed a counter reply to ZATCA's counter claim. Simultaneously, an appeal to the Alternative Dispute Resolution Committee ("ADRC") has also been filed to present the Company's perspective to ADRC. Following ADRC's rejection, the Company continued with the appeal with GSZTCC.

In June 2022, the Tax Violations and Disputes committee at the GSZTCC (i.e., GSZTCC Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling for which it has overturned the ZATCA's decision and ruled in favour of the Company. In September 2022, the Company received the written ruling from the GSZTCC. Following the issuance of the written ruling, the ZATCA submitted an appeal to the Appellate Committee for Tax Violations and Disputes at the GSZTCC (i.e., GSZTCC level 2) on 6 October 2022. The GSZTCC level 2 notified the Company about the appeal on 9 October 2022 and had set a deadline of 45 business days for the Company to submit a response.

The Company submitted its response on 8 December 2022 to GSZTCC level 2 and is currently awaiting the GSZTCC level 2 hearing or decision (as the case may be). The response basis and the grounds of appeal are based on the understanding of the relevant VAT Legislation in KSA and its applicability on reinsurance activities in line with the previous submissions to the ZATCA and GSZTCC. Based on the facts of the case, the Company is of the view that there are appropriate grounds to defend the position against the ZATCA's appeal.

**23. SHARE CAPITAL**

The authorized, issued and paid up share capital of the Company is SR 891 million (2021: SR 891 million) divided into 89.1 million (2021: 89.1 million) shares of SR 10 each. Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

		2022	
		Authorized and issued	Paid up
		Value per	
		No. of Shares	share SR
Ahmed Hamad Algosaibi Brothers Co.		4,455,000	44,550,000
Others		84,645,000	846,450,000
		89,100,000	891,000,000
		2021	
		Authorized and issued	Paid up
		Value per	
		No. of Shares	share SR
Ahmed Hamad Algosaibi Brothers Co.		4,455,000	44,550,000
Others		84,645,000	846,450,000
		89,100,000	891,000,000

**Saudi Reinsurance Company (A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2022****23. SHARE CAPITAL (CONTINUED)**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

During the year, the Company's Board of Directors recommended, at their meeting on 6 April 2022, that the Company's ordinary share capital be increased from SR 891 million to SR 1,336.5 million, a 50% increase, by offering right issue. The reason for right issue is to strengthen the Company's capital base and support its future expansion activities. On 25 May 2022, the Company got approval of Saudi Central Bank to increase the Company's ordinary share capital provided that all relevant requirements are fulfilled. The Company is currently in the process of fulfilling the regulatory requirements to complete the increase in its share capital.

**24. STATUTORY RESERVE**

In accordance with the Company's by-laws and Article 70 (2g) of the Insurance Implementing Regulations issued by SAMA, a minimum of 20% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Company. This reserve is not available for distribution.

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	2022			2021		
	Reinsurance operations SR	Shareholders' operations SR	Total SR	Reinsurance operations SR	Shareholders' operations SR	Total SR
Salaries and related benefits	38,991,461	4,030,212	43,021,673	32,818,037	3,575,802	36,393,839
Professional fees	2,360,138	3,213,720	5,573,858	2,809,057	2,500,338	5,309,395
Consulting fees	2,833,883	4,996,945	7,830,828	2,764,532	--	2,764,532
Depreciation *	2,822,173	--	2,822,173	2,612,955	--	2,612,955
Computer expenses	2,254,537	--	2,254,537	1,614,868	--	1,614,868
Rent and premises expenses	1,190,256	--	1,190,256	1,001,017	--	1,001,017
Licensing Fees	103,873	584,506	688,379	91,135	691,534	782,669
Advertising	903,673	--	903,673	284,305	195,000	479,305
Training	699,514	76,492	776,006	325,118	--	325,118
Withholding tax	222,305	38,406	260,711	219,517	57,159	276,676
Travelling expenses	631,767	77,315	709,082	143,056	50,748	193,804
Unallocated loss adjustment expenses	4,429,600	--	4,429,600	--	--	--
Others	2,406,560	1,476,484	3,883,044	2,182,835	1,521,798	3,704,633
	<b>59,849,740</b>	<b>14,494,080</b>	<b>74,343,820</b>	<b>46,866,432</b>	<b>8,592,379</b>	<b>55,458,811</b>

\* Depreciation charge for the year for shareholders' operations assets is charged to reinsurance operations as a rent for using the assets.

**26. BOARD OF DIRECTORS' REMUNERATION, MEETING FEES AND EXPENSES**

	2022 SR	2021 SR
Board of directors' remuneration	<b>1,855,210</b>	2,689,137
Meetings fees and expenses	<b>1,805,205</b>	2,108,880
	<b>3,660,415</b>	<b>4,798,017</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2022****27. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders and key management personnel of the Company. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

Details of transactions and balances with related parties during the year other than those which have been disclosed elsewhere in these financial statements are disclosed below:

Related party	Nature of transactions	Amount of transactions for the year ended		Balance as at	
		31 December 2022 SR	31 December 2021 SR	31 December 2022 SR	31 December 2021 SR
Board of Directors	- Consulting fees	188,983	186,957	--	--
	- Remunerations, meetings fees and expenses	3,660,415	4,798,017	2,845,000	2,779,999
Key management Personnel	- Short term benefits	11,829,980	11,192,359	2,230,311	2,218,808
	- End of service benefits	1,181,869	834,744	6,100,729	4,953,418
Associate	- Gross written premiums	158,704,085	193,797,392	312,464,967	237,471,914
	- Net premium earned	149,256,095	158,306,830	--	--
	- Net claims incurred	77,927,355	60,153,766	157,255,121	94,355,113
	- Policy acquisition cost	41,057,133	78,713,728	--	--

Balances with related parties are included in reinsurance premium receivables, accrued reinsurance premiums, claims incurred but not reported, accrued expenses and other liabilities shown in the statement of financial position.

**28. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share for the years ended 31 December 2022 and 31 December 2021 have been calculated by dividing net income after zakat and tax attributable to the shareholders for the year by the weighted average number of ordinary shares issued and outstanding at the end of the year.

**29. STATUTORY DEPOSIT**

The Company has deposited an amount of SR 89.1 million (31 December 2021: SR 89.1 million) with a local bank, which has been rated “A” by Standard & Poor’s Rating agency representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the “Law On Supervision of Cooperative Insurance Companies” issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit generates special commission income which is accrued on regular basis and is shown as a separate line item as part of the shareholders’ liabilities in the Statement of Financial Position as “Accrued commission income payable to SAMA”. The accrued commission on the deposit as at December 2022 is SR 22,084,429 (31 December 2021: SAR 20,962,172) and has also been disclosed in assets as “Accrued income on statutory deposit”. During the year, the Company has received SR 1,134,784 on account of accrued income on statutory deposit.

**30. SEGMENTAL INFORMATION**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Consistent with the Company’s internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company’s activities, assets and liabilities as stated below.

Segment results do not include special commission income from time deposits, bonds and sukuks, realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative.

Segment assets do not include cash and cash equivalents of reinsurance operations, time deposits, accrued special commission income from time deposits, investments held at fair value through income statement, accrued special commission income from bonds and sukuk, retrocession balances receivable, held-to-maturity investments, prepaid expenses, deposits and other assets, and property and equipment (net).

Segment liabilities do not include retrocession balances payable, accrued expenses and other liabilities and employees’ end of service benefits.

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments**

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Total SR
<b>For the year ended 31 December 2022</b>											
<b>REVENUES</b>											
Gross written premiums	87,095,933	295,088,993	63,409,363	99,701,766	47,415,968	22,460,001	35,781,200	158,704,085	394,537,350	199,086,261	1,403,280,920
Retroceded premiums	(12,277,200)	(18,213,616)	(2,415)	--	(6,517,259)	--	--	--	(381,675,432)	(44,234,040)	(462,919,962)
Excess of loss expenses	(9,471,313)	(18,121,657)	(2,718,573)	(1,591)	(273,300)	(470,482)	--	--	--	(10,704,963)	(41,761,879)
<b>Net written premiums</b>	<b>65,347,420</b>	<b>258,753,720</b>	<b>60,688,375</b>	<b>99,700,175</b>	<b>40,625,409</b>	<b>21,989,519</b>	<b>35,781,200</b>	<b>158,704,085</b>	<b>12,861,918</b>	<b>144,147,258</b>	<b>898,599,079</b>
Changes in net unearned premiums	6,819,580	(9,873,328)	1,864,174	7,444,173	(385,786)	(1,015,180)	56,314,660	(9,447,990)	(12,778,864)	(9,649,582)	29,291,857
<b>Net earned premiums</b>	<b>72,167,000</b>	<b>248,880,392</b>	<b>62,552,549</b>	<b>107,144,348</b>	<b>40,239,623</b>	<b>20,974,339</b>	<b>92,095,860</b>	<b>149,256,095</b>	<b>83,054</b>	<b>134,497,676</b>	<b>927,890,936</b>
Retrocession commissions	3,045,973	4,257,976	234,173	--	1,048,583	61,380	--	--	752,665	5,414,760	14,815,510
<b>TOTAL REVENUES</b>	<b>75,212,973</b>	<b>253,138,368</b>	<b>62,786,722</b>	<b>107,144,348</b>	<b>41,288,206</b>	<b>21,035,719</b>	<b>92,095,860</b>	<b>149,256,095</b>	<b>835,719</b>	<b>139,912,436</b>	<b>942,706,446</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>											
Gross claims paid	(32,558,340)	(95,788,348)	(72,275,192)	(74,193,279)	(29,214,372)	(41,030,673)	(83,993,059)	(31,418,660)	--	(77,373,503)	(537,845,426)
Retroceded share of claims paid	1,144,130	1,511,954	37,785,815	--	12,089,945	20,521	--	--	--	23,421,589	75,973,954
<b>Net claims paid</b>	<b>(31,414,210)</b>	<b>(94,276,394)</b>	<b>(34,489,377)</b>	<b>(74,193,279)</b>	<b>(17,124,427)</b>	<b>(41,010,152)</b>	<b>(83,993,059)</b>	<b>(31,418,660)</b>	<b>--</b>	<b>(53,951,914)</b>	<b>(461,871,472)</b>
Changes in outstanding claims, net	6,122,004	(46,529,439)	119,548	4,175,713	(779,618)	13,738,945	1,791,001	--	--	315,677	(21,046,169)
Changes in Incurred but not reported claims, net	(4,788,739)	(25,804,294)	(3,485,005)	(13,902,560)	508,687	7,928,709	(4,114,200)	(46,508,695)	(22,899)	(21,937,598)	(112,126,594)
<b>Net claims incurred</b>	<b>(30,080,945)</b>	<b>(166,610,127)</b>	<b>(37,854,834)</b>	<b>(83,920,126)</b>	<b>(17,395,358)</b>	<b>(19,342,498)</b>	<b>(86,316,258)</b>	<b>(77,927,355)</b>	<b>(22,899)</b>	<b>(75,573,835)</b>	<b>(595,044,235)</b>
Policy acquisition costs and profit commissions	(27,135,296)	(79,028,627)	(16,825,893)	(7,703,205)	(12,330,231)	(2,631,347)	(2,989,513)	(41,057,133)	(149,877)	(28,347,402)	(218,198,524)
Other underwriting expenses	219,457	(829,291)	(12,454)	(246,038)	(111,069)	21,756	(355,026)	(141,046)	(110,040)	(431,506)	(1,995,257)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(56,996,784)</b>	<b>(246,468,045)</b>	<b>(54,693,181)</b>	<b>(91,869,369)</b>	<b>(29,836,658)</b>	<b>(21,952,089)</b>	<b>(89,660,797)</b>	<b>(119,125,534)</b>	<b>(282,816)</b>	<b>(104,352,743)</b>	<b>(815,238,016)</b>
<b>NET UNDERWRITING INCOME / (LOSS)</b>	<b>18,216,189</b>	<b>6,670,323</b>	<b>8,093,541</b>	<b>15,274,979</b>	<b>11,451,548</b>	<b>(916,370)</b>	<b>2,435,063</b>	<b>30,130,561</b>	<b>552,903</b>	<b>35,559,693</b>	<b>127,468,430</b>



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments (continued)**

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Total SR
For the year ended 31 December 2021											
<b>REVENUES</b>											
Gross written premiums	88,511,796	247,947,505	111,734,074	96,757,921	40,239,336	49,586,490	132,659,622	181,107,318	--	167,335,638	1,115,879,700
Retroceded premiums	(15,678,010)	(19,504,518)	(48,385,166)	--	(13,932,545)	--	--	--	--	(26,397,667)	(123,897,906)
Excess of loss expenses	(5,754,774)	(13,985,437)	(1,527,674)	161,097	(347,837)	(1,040,944)	--	--	--	(10,518,557)	(33,014,126)
Net written premiums	67,079,012	214,457,550	61,821,234	96,919,018	25,958,954	48,545,546	132,659,622	181,107,318	--	130,419,414	958,967,668
Changes in net unearned premiums	1,444,503	(16,446,286)	252,378	(19,486,509)	918,476	18,560,095	(55,069,457)	(35,490,562)	--	1,079,790	(104,237,572)
Net earned premiums	68,523,515	198,011,264	62,073,612	77,432,509	26,877,430	67,105,641	77,590,165	145,616,756	--	131,499,204	854,730,096
Retrocession commissions	3,261,537	7,156,757	1,908,607	--	1,604,457	(30,494)	--	--	--	5,774,645	19,675,509
<b>TOTAL REVENUES</b>	<b>71,785,052</b>	<b>205,168,021</b>	<b>63,982,219</b>	<b>77,432,509</b>	<b>28,481,887</b>	<b>67,075,147</b>	<b>77,590,165</b>	<b>145,616,756</b>	<b>--</b>	<b>137,273,849</b>	<b>874,405,605</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>											
Gross claims paid	(32,660,267)	(81,884,871)	(54,121,621)	(44,073,758)	(30,696,729)	(78,639,261)	(55,823,896)	(49,351,316)	--	(43,963,817)	(471,215,536)
Retroceded share of claims paid	523,188	10,173,814	23,227,866	743,187	16,542,623	75,000	--	--	--	10,421,301	61,706,979
Net claims paid	(32,137,079)	(71,711,057)	(30,893,755)	(43,330,571)	(14,154,106)	(78,564,261)	(55,823,896)	(49,351,316)	--	(33,542,516)	(409,508,557)
Changes in outstanding claims, net	2,293,979	(26,674,202)	(9,501,806)	(7,638,731)	(11,957,321)	6,598,085	(594,943)	--	--	(23,910,356)	(71,385,295)
Changes in Incurred but not reported claims, net	(1,409,304)	(24,288,937)	(2,455,259)	(9,185,946)	(2,104,970)	(10,765,826)	(20,172,624)	(4,513,553)	--	(9,521,742)	(84,418,161)
Net claims incurred	(31,252,404)	(122,674,196)	(42,850,820)	(60,155,248)	(28,216,397)	(82,732,002)	(76,591,463)	(53,864,869)	--	(66,974,614)	(565,312,013)
Policy acquisition costs and profit commissions	(27,582,578)	(61,693,374)	(19,137,184)	(9,728,738)	(7,910,679)	(2,494,276)	(1,438,173)	(72,237,336)	--	(30,181,780)	(232,404,118)
Other underwriting expenses	(398,899)	(1,163,376)	(558,857)	(386,356)	(213,327)	(341,070)	(387,956)	(761,045)	--	(852,160)	(5,063,046)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(59,233,881)</b>	<b>(185,530,946)</b>	<b>(62,546,861)</b>	<b>(70,270,342)</b>	<b>(36,340,403)</b>	<b>(85,567,348)</b>	<b>(78,417,592)</b>	<b>(126,863,250)</b>	<b>--</b>	<b>(98,008,554)</b>	<b>(802,779,177)</b>
<b>NET UNDERWRITING INCOME / (LOSS)</b>	<b>12,551,171</b>	<b>19,637,075</b>	<b>1,435,358</b>	<b>7,162,167</b>	<b>(7,858,516)</b>	<b>(18,492,201)</b>	<b>(827,427)</b>	<b>18,753,506</b>	<b>--</b>	<b>39,265,295</b>	<b>71,626,428</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments (continued)**

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Unallocated SR	Shareholders SR	Total SR
<b>As at 31 December 2022</b>													
<b>ASSETS</b>													
Cash and cash equivalents	--	--	--	--	--	--	--	--	--	--	20,507,026	11,049,678	31,556,704
Time deposits	--	--	--	--	--	--	--	--	--	--	461,780,732	285,174,970	746,955,702
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	--	1,911,342	5,763,345	7,674,687
Reinsurance premium receivables, net	48,394,915	103,521,978	14,597,563	10,131,540	14,230,717	8,158,115	3,501,667	58,160	31,022,586	126,710,278	(39,352,982)	--	320,974,537
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	--	156,476,356	130,677,937	287,154,293
Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	344,544	4,831,351	5,175,895
Accrued reinsurance premiums	93,411,644	122,926,034	32,970,280	73,758,660	16,014,022	11,979,565	26,605,880	312,464,967	323,988,500	63,347,049	--	--	1,077,466,601
Retrocession balances receivable	--	--	--	--	--	--	--	--	--	--	23,730,685	--	23,730,685
Retroceded share of unearned premiums	31,261,104	6,612,144	--	--	--	--	--	--	380,506,413	30,712,887	--	--	449,092,548
Deferred excess of loss premiums	3,344,477	6,127,534	829,242	--	--	--	--	--	--	5,108,915	--	--	15,410,168
Retroceded share of outstanding claims	3,645,337	94,132,446	12,936,899	11,407	1,844,657	--	--	--	--	55,130,055	--	--	167,700,801
Retroceded share of claims incurred but not reported	5,181,386	4,809,175	2,141,815	86,166	6,109,138	--	--	--	677,407	12,625,656	--	--	31,630,743
Deferred policy acquisition costs	31,584,909	40,638,748	7,602,939	4,266,050	4,725,325	927,563	346,459	64,555,417	66,448,668	10,334,021	--	--	231,430,099
Held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	25,000,000	362,652,522	387,652,522
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	--	109,747,226	38,670,536	148,417,762
Property and equipment, net	--	--	--	--	--	--	--	--	--	--	8,418,502	27,960,707	36,379,209
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	156,802,667	156,802,667
Statutory deposit	--	--	--	--	--	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	--	22,084,429	22,084,429
<b>TOTAL ASSETS</b>	<b>216,823,772</b>	<b>378,768,059</b>	<b>71,078,738</b>	<b>88,253,823</b>	<b>42,923,859</b>	<b>21,065,243</b>	<b>30,454,006</b>	<b>377,078,544</b>	<b>802,643,574</b>	<b>303,968,861</b>	<b>768,563,431</b>	<b>1,134,768,142</b>	<b>4,236,390,052</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments (continued)**

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2021													
<b>ASSETS</b>													
Cash and cash equivalents	--	--	--	--	--	--	--	--	--	--	21,868,099	5,939,195	27,807,294
Time deposits	--	--	--	--	--	--	--	--	--	--	94,818,411	148,563,674	243,382,085
Accrued special commission income from time deposits	--	--	--	--	--	--	--	--	--	--	310,793	1,999,309	2,310,102
Reinsurance premium receivables, net	41,366,870	96,918,844	46,284,895	18,017,737	15,800,199	1,723,276	3,876,580	(25,781)	--	89,788,485	(71,521,512)	--	242,229,593
Investments held at fair value through income statement	--	--	--	--	--	--	--	--	--	--	440,425,260	363,159,336	803,584,596
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	--	--	--	--	--	--	--	--	--	--	38,656	6,771,817	6,810,473
Accrued reinsurance premiums	105,677,340	108,374,894	33,826,883	53,022,556	22,883,717	13,702,792	45,054,129	237,471,914	--	60,455,675	--	--	680,469,900
Retrocession balances receivable	--	--	--	--	--	--	--	--	--	--	13,063,654	--	13,063,654
Retroceded share of unearned premiums	30,500,290	6,669,821	7,777,816	--	8,008,958	--	--	--	--	14,995,624	--	--	67,952,509
Deferred excess of loss premiums	2,604,242	3,780,205	521,052	--	229,443	--	--	--	--	4,914,620	--	--	12,049,562
Retroceded share of outstanding claims	5,284,241	47,243,124	60,865,121	11,407	1,942,217	115,401	--	--	--	33,871,367	--	--	149,332,878
Retroceded share of claims incurred but not reported	4,136,972	5,009,015	9,645,614	73,447	10,648,504	589	--	--	--	8,518,946	--	--	38,033,087
Deferred policy acquisition costs	34,647,661	37,979,355	8,721,042	6,314,641	7,011,343	1,569,470	848,551	63,795,566	--	7,710,518	--	--	168,598,147
Held-to-maturity investments	--	--	--	--	--	--	--	--	--	--	25,000,000	273,022,312	298,022,312
Prepaid expenses, deposits, and other assets	--	--	--	--	--	--	--	--	--	--	36,197,619	38,406,725	74,604,344
Property and equipment, net	--	--	--	--	--	--	--	--	--	--	8,469,458	28,686,369	37,155,827
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	142,000,373	142,000,373
Statutory deposit	--	--	--	--	--	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	--	20,962,172	20,962,172
<b>TOTAL ASSETS</b>	<b>224,217,616</b>	<b>305,975,258</b>	<b>167,642,423</b>	<b>77,439,788</b>	<b>66,524,381</b>	<b>17,111,528</b>	<b>49,779,260</b>	<b>301,241,699</b>	<b>--</b>	<b>220,255,235</b>	<b>568,670,438</b>	<b>1,118,611,282</b>	<b>3,117,468,908</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments (continued)**

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Unallocated SR	Shareholders SR	Total SR
<b>As at 31 December 2022</b>													
<b><u>LIABILITIES</u></b>													
Accounts payable	2,809,315	(1,944,458)	1,060,436	256,012	163,951	3,110,366	41,912,299	--	--	(5,802,705)	28,917,565	--	70,482,781
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	56,797,019	56,797,019
Retrocession balances payable	--	--	--	--	--	--	--	--	--	--	136,373,790	--	136,373,790
Accrued retroceded premiums	17,685,004	13,267,234	925,279	9,768	2,748,625	--	--	--	292,591,563	6,026,225	--	--	333,253,698
Unearned premiums	129,778,845	142,605,642	26,444,078	37,118,891	19,075,236	8,212,135	5,311,926	169,910,364	393,328,936	68,931,618	--	--	1,000,717,671
Outstanding claims	74,250,756	384,127,010	60,386,528	60,792,143	41,463,979	20,461,435	10,354,769	-	-	170,568,203	--	--	822,404,823
Claims incurred but not reported	36,758,576	84,878,515	23,515,636	75,692,019	20,896,592	23,385,475	42,473,604	157,255,121	700,235	67,565,213	--	--	533,120,986
Unearned retrocession commission	9,351,643	2,292,692	56,747	-	(49,571)	32,687	--	--	87,060,465	5,816,415	--	--	104,561,078
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	100,430,873	4,702,154	105,133,027
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	--	13,867,730	--	13,867,730
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	--	17,533,163	17,533,163
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	--	23,219,213	23,219,213
<b>TOTAL LIABILITIES</b>	<b>270,634,139</b>	<b>625,226,635</b>	<b>112,388,704</b>	<b>173,868,833</b>	<b>84,298,812</b>	<b>55,202,098</b>	<b>100,052,598</b>	<b>327,165,485</b>	<b>773,681,199</b>	<b>313,104,969</b>	<b>279,589,958</b>	<b>102,251,549</b>	<b>3,217,464,979</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.1. Business segments (continued)**

	Engineering SR	Fire SR	Marine SR	Motor SR	General Accident SR	Protection SR	Health SR	Speciality SR	Inherent Defects Insurance SR	Others SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2021													
<b>LIABILITIES</b>													
Accounts payable	(2,402,998)	(5,480,151)	(189,941)	607,997	(295,287)	(1,109,145)	3,837,700	--	--	2,187,151	46,886,584	--	44,041,910
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	56,797,019	56,797,019
Retrocession balances payable	--	--	--	--	--	--	--	--	--	--	48,771,678	--	48,771,678
Accrued retroceded premiums	17,245,105	6,332,442	477,941	8,178	6,411,808	--	--	--	--	5,016,486	--	--	35,491,960
Unearned premiums	135,842,331	134,785,593	36,068,692	44,563,063	27,054,147	7,196,955	61,626,586	158,798,311	--	42,933,811	--	--	648,869,489
Outstanding claims	82,011,664	290,708,249	108,434,299	64,967,856	40,781,920	34,315,782	12,145,770	--	--	149,625,191	--	--	782,990,731
Claims incurred but not reported	30,925,423	59,273,989	27,534,429	61,776,738	25,944,645	31,314,773	38,359,404	110,746,426	--	41,520,909	--	--	427,396,736
Unearned retrocession commission	6,136,038	7,288,550	295,709	--	1,004,740	--	--	--	--	2,424,592	--	--	17,149,629
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	25,495,048	4,402,178	29,897,226
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	--	12,288,391	--	12,288,391
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	--	15,266,235	15,266,235
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	--	20,962,172	20,962,172
<b>TOTAL LIABILITIES</b>	<b>269,757,563</b>	<b>492,908,672</b>	<b>172,621,129</b>	<b>171,923,832</b>	<b>100,901,973</b>	<b>71,718,365</b>	<b>115,969,460</b>	<b>269,544,737</b>	<b>--</b>	<b>243,708,140</b>	<b>133,441,701</b>	<b>97,427,604</b>	<b>2,139,923,176</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**30. SEGMENTAL INFORMATION (CONTINUED)**

**30.2. Geographical segments**

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
<b>For the year ended 31 December 2022</b>						
<b>Reinsurance operations results</b>						
<b>REVENUES</b>						
Gross written premiums	788,029,729	137,458,815	38,794,793	280,321,144	158,676,439	1,403,280,920
Retroceded premiums	(464,121,256)	24,993	1,788	1,397,890	(223,377)	(462,919,962)
Excess of loss expenses	(22,604,597)	(6,946,233)	(2,602,952)	(9,633,642)	25,545	(41,761,879)
<b>Net written premiums</b>	<b>301,303,876</b>	<b>130,537,575</b>	<b>36,193,629</b>	<b>272,085,392</b>	<b>158,478,607</b>	<b>898,599,079</b>
Changes in net unearned premiums	26,837,982	(8,168,524)	3,730,382	14,787,679	(7,895,662)	29,291,857
<b>Net earned premiums</b>	<b>328,141,858</b>	<b>122,369,051</b>	<b>39,924,011</b>	<b>286,873,071</b>	<b>150,582,945</b>	<b>927,890,936</b>
Retrocession commissions	14,112,918	(27,243)	(14)	736,682	(6,833)	14,815,510
<b>TOTAL REVENUES</b>	<b>342,254,776</b>	<b>122,341,808</b>	<b>39,923,997</b>	<b>287,609,753</b>	<b>150,576,112</b>	<b>942,706,446</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(263,804,233)	(56,393,199)	(21,773,911)	(161,206,260)	(34,667,823)	(537,845,426)
Retroceded share of claims paid	63,418,986	617,771	180	10,120,479	1,816,538	75,973,954
<b>Net claims paid</b>	<b>(200,385,247)</b>	<b>(55,775,428)</b>	<b>(21,773,731)</b>	<b>(151,085,781)</b>	<b>(32,851,285)</b>	<b>(461,871,472)</b>
Changes in outstanding claims, net	3,499,100	4,276,729	5,513,427	(36,400,810)	2,065,385	(21,046,169)
Changes in Incurred but not reported claims, net	(22,299,558)	(17,253,807)	(7,595,647)	(18,175,602)	(46,801,980)	(112,126,594)
<b>Net claims incurred</b>	<b>(219,185,705)</b>	<b>(68,752,506)</b>	<b>(23,855,951)</b>	<b>(205,662,193)</b>	<b>(77,587,880)</b>	<b>(595,044,235)</b>
Policy acquisition costs and profit commissions	(61,108,128)	(31,895,230)	(11,559,291)	(72,062,195)	(41,573,680)	(218,198,524)
Other underwriting expenses	(1,104,575)	(293,465)	(61,830)	(399,776)	(135,611)	(1,995,257)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(281,398,408)</b>	<b>(100,941,201)</b>	<b>(35,477,072)</b>	<b>(278,124,164)</b>	<b>(119,297,171)</b>	<b>(815,238,016)</b>
<b>NET UNDERWRITING INCOME</b>	<b>60,856,368</b>	<b>21,400,607</b>	<b>4,446,925</b>	<b>9,485,589</b>	<b>31,278,941</b>	<b>127,468,430</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**30. SEGMENTAL INFORMATION (CONTINUED)**
**30.2. Geographical segments (continued)**

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Total SR
For the year ended 31 December 2021						
Reinsurance operations results						
<b>REVENUES</b>						
Gross written premiums	482,157,923	91,740,808	37,913,985	321,286,167	182,780,817	1,115,879,700
Retroceded premiums	(110,580,292)	66,541	4,996	(13,389,151)	--	(123,897,906)
Excess of loss expenses	(11,826,987)	(7,459,929)	(1,837,610)	(11,830,947)	(58,653)	(33,014,126)
Net written premiums	359,750,644	84,347,420	36,081,371	296,066,069	182,722,164	958,967,668
Changes in unearned net premiums	(68,352,909)	6,467,153	417,210	(7,338,387)	(35,430,639)	(104,237,572)
Net earned premiums	291,397,735	90,814,573	36,498,581	288,727,682	147,291,525	854,730,096
Retrocession commissions	17,699,373	118,927	15,876	1,841,333	--	19,675,509
<b>TOTAL REVENUES</b>	309,097,108	90,933,500	36,514,457	290,569,015	147,291,525	874,405,605
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(196,988,746)	(53,394,918)	(20,480,812)	(150,559,752)	(49,791,308)	(471,215,536)
Retroceded share of claims paid	43,328,152	1,093,757	--	17,285,070	--	61,706,979
Net claims paid	(153,660,594)	(52,301,161)	(20,480,812)	(133,274,682)	(49,791,308)	(409,508,557)
Changes in outstanding claims, net	1,718,434	(3,207,105)	(3,337,926)	(66,585,955)	27,257	(71,385,295)
Changes in Incurred but not reported claims, net	(37,029,524)	(7,733,560)	(1,402,587)	(33,667,969)	(4,584,521)	(84,418,161)
Net claims incurred	(188,971,684)	(63,241,826)	(25,221,325)	(233,528,606)	(54,348,572)	(565,312,013)
Policy acquisition costs and profit commissions	(49,845,000)	(25,480,682)	(9,673,023)	(74,988,852)	(72,416,561)	(232,404,118)
Other underwriting expenses	(2,048,787)	(477,964)	(190,655)	(1,575,927)	(769,713)	(5,063,046)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(240,865,471)	(89,200,472)	(35,085,003)	(310,093,385)	(127,534,846)	(802,779,177)
<b>NET UNDERWRITING INCOME / (LOSS)</b>	68,231,637	1,733,028	1,429,454	(19,524,370)	19,756,679	71,626,428



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**30. SEGMENTAL INFORMATION (CONTINUED)**
**30.2. Geographical segments (continued)**

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
<b>As at 31 December 2022</b>								
<b><u>ASSETS</u></b>								
Cash and cash equivalents	16,011,203	--	--	4,495,823	--	--	11,049,678	31,556,704
Time deposits	461,780,732	--	--	--	--	--	285,174,970	746,955,702
Accrued special commission income from time deposits	1,911,342	--	--	--	--	--	5,763,345	7,674,687
Reinsurance premium receivables, net	99,773,394	58,497,046	39,871,178	37,048,354	(3,329,037)	89,113,602	--	320,974,537
Investments held at fair value through income statement	71,560,649	--	--	--	84,915,707	--	130,677,937	287,154,293
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	344,544	--	--	--	--	--	4,831,351	5,175,895
Accrued reinsurance premiums	543,665,106	61,847,432	20,101,814	138,666,274	313,185,975	--	--	1,077,466,601
Retrocession balances receivable	--	--	--	--	--	23,730,685	--	23,730,685
Retroceded share of unearned premiums	449,089,188	2,011	1,349	--	--	--	--	449,092,548
Deferred excess of loss premiums	2,848,375	2,857,881	1,071,622	8,632,290	--	--	--	15,410,168
Retroceded share of outstanding claims	100,807,700	53,084,800	7,068,867	6,739,434	--	--	--	167,700,801
Retroceded share of claims incurred but not reported	23,761,671	417,695	145,155	7,305,043	1,179	--	--	31,630,743
Deferred policy acquisition costs	114,453,542	18,586,704	4,760,764	29,054,199	64,574,890	--	--	231,430,099
Held-To-Maturity investments	25,000,000	--	--	--	--	--	362,652,522	387,652,522
Prepaid expenses, deposits, and other assets	47,631,527	--	--	--	62,115,699	--	38,670,536	148,417,762
Property and equipment, net	7,598,961	--	--	819,541	--	--	27,960,707	36,379,209
Investment in an equity accounted investee	--	--	--	--	--	--	156,802,667	156,802,667
Statutory deposit	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	22,084,429	22,084,429
<b>TOTAL ASSETS</b>	<b>1,966,237,934</b>	<b>195,293,569</b>	<b>73,020,749</b>	<b>232,760,958</b>	<b>521,464,413</b>	<b>112,844,287</b>	<b>1,134,768,142</b>	<b>4,236,390,052</b>
<b><u>LIABILITIES</u></b>								
Accounts payable	48,653,910	12,703,141	2,074,976	2,458,113	26,622	4,566,019	--	70,482,781
Margin payable	--	--	--	--	--	--	56,797,019	56,797,019
Retrocession balances payable	--	--	--	--	--	136,373,790	--	136,373,790
Accrued retroceded premiums	312,456,659	1,951,275	483,936	763,403	15,215	17,583,210	--	333,253,698
Unearned premiums	630,849,422	66,635,396	14,848,531	118,380,509	170,003,813	--	--	1,000,717,671
Outstanding claims	274,435,905	183,604,294	26,931,626	334,514,385	2,918,613	--	--	822,404,823
Claims incurred but not reported	167,370,491	51,179,073	18,404,234	138,301,635	157,865,553	--	--	533,120,986
Unearned retrocession commission	101,625,815	76	260	--	--	2,934,927	--	104,561,078
Accrued expenses and other liabilities	--	--	--	--	--	100,430,873	4,702,154	105,133,027
Employees' end of service benefits	13,867,730	--	--	--	--	--	--	13,867,730
Provision for zakat and tax	--	--	--	--	--	--	17,533,163	17,533,163
Accrued commission income payable to SAMA	--	--	--	--	--	--	23,219,213	23,219,213
<b>TOTAL LIABILITIES</b>	<b>1,549,259,932</b>	<b>316,073,255</b>	<b>62,743,563</b>	<b>594,418,045</b>	<b>330,829,816</b>	<b>261,888,819</b>	<b>102,251,549</b>	<b>3,217,464,979</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**30. SEGMENTAL INFORMATION (CONTINUED)**
**30.2. Geographical segments (continued)**

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Other territories SR	Unallocated SR	Shareholders SR	Total SR
As at 31 December 2021								
<b>ASSETS</b>								
Cash and cash equivalents	18,318,259	--	--	3,549,840	--	--	5,939,195	27,807,294
Time deposits	94,818,411	--	--	--	--	--	148,563,674	243,382,085
Accrued special commission income from time deposits	310,793	--	--	--	--	--	1,999,309	2,310,102
Reinsurance premium receivables, net	79,686,125	51,950,442	36,879,665	53,267,409	(1,806,914)	22,252,866	--	242,229,593
Investments held at fair value through income statement	343,047,268	--	--	--	97,377,992	--	363,159,336	803,584,596
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	38,656	--	--	--	--	--	6,771,817	6,810,473
Accrued reinsurance premiums	209,729,011	60,420,006	23,154,554	148,699,046	238,467,283	--	--	680,469,900
Retrocession balances receivable	--	--	--	--	--	13,063,654	--	13,063,654
Retroceded share of unearned premiums	59,915,581	24,341	3,629	8,008,958	--	--	--	67,952,509
Deferred excess of loss premiums	3,344,976	1,790,893	1,091,147	5,822,546	--	--	--	12,049,562
Retroceded share of outstanding claims	91,779,887	41,490,422	4,894,581	11,167,988	--	--	--	149,332,878
Retroceded share of claims incurred but not reported	25,944,982	402,615	119,681	11,554,182	11,627	--	--	38,033,087
Deferred policy acquisition costs	44,872,892	16,332,718	5,954,437	37,610,154	63,827,946	--	--	168,598,147
Held-To-Maturity investment	25,000,000	--	--	--	--	--	273,022,312	298,022,312
Prepaid expenses, deposits, and other assets	36,197,619	--	--	--	--	--	38,406,725	74,604,344
Property and equipment, net	7,649,917	--	--	819,541	--	--	28,686,369	37,155,827
Investment in an equity accounted investee	--	--	--	--	--	--	142,000,373	142,000,373
Statutory deposit	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	20,962,172	20,962,172
<b>TOTAL ASSETS</b>	<b>1,040,654,377</b>	<b>172,411,437</b>	<b>72,097,694</b>	<b>280,499,664</b>	<b>397,877,934</b>	<b>35,316,520</b>	<b>1,118,611,282</b>	<b>3,117,468,908</b>
<b>LIABILITIES</b>								
Accounts payable	5,948,712	15,404,710	4,162,352	2,513,190	26,622	15,986,324	--	44,041,910
Margin payable	--	--	--	--	--	--	56,797,019	56,797,019
Retrocession balances payable	--	--	--	--	--	48,771,678	--	48,771,678
Accrued retroceded premiums	14,001,769	720,584	261,125	9,594,559	47,473	10,866,450	--	35,491,960
Unearned premiums	269,850,183	59,802,011	18,539,789	141,722,064	158,955,442	--	--	648,869,489
Outstanding claims	267,297,182	177,990,257	32,618,721	300,431,605	4,652,966	--	--	782,990,731
Claims incurred but not reported	147,302,139	35,279,347	10,736,075	122,764,783	111,314,392	--	--	427,396,736
Unearned retrocession commission	14,459,663	1,359	384	1,083,444	--	1,604,779	--	17,149,629
Accrued expenses and other liabilities	--	--	--	--	--	25,495,048	4,402,178	29,897,226
Employees' end of service benefits	12,288,391	--	--	--	--	--	--	12,288,391
Provision for zakat and tax	--	--	--	--	--	--	15,266,235	15,266,235
Accrued commission income payable to SAMA	--	--	--	--	--	--	20,962,172	20,962,172
<b>TOTAL LIABILITIES</b>	<b>731,148,039</b>	<b>289,198,268</b>	<b>66,318,446</b>	<b>578,109,645</b>	<b>274,996,895</b>	<b>102,724,279</b>	<b>97,427,604</b>	<b>2,139,923,176</b>

### **31. RISK MANAGEMENT**

#### **Risk governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board of Directors. The Company is exposed to insurance, retrocession, special commission rate, credit, liquidity and currency risks.

#### **Risk management structure**

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

#### **Board of Directors**

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

#### **Senior management**

Senior Management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by Management are as follows:

#### **31.1. Reinsurance risk**

The risk resulting from reinsurance business written is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of reinsurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow management to contain exposure with the risk appetite of the Company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**31. RISK MANAGEMENT (CONTINUED)**
**31.1. Reinsurance risk (continued)**
**Geographical concentration of risk**

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Asia. The written premiums are distributed geographically as follows:

<b>For the year ended 31 December 2022</b>		
	<b>Amount</b>	
	<b>SR</b>	<b>Percentage</b>
Kingdom of Saudi Arabia	<b>788,029,729</b>	<b>56%</b>
Asia	<b>280,321,144</b>	<b>20%</b>
Other Middle Eastern Countries	<b>137,458,815</b>	<b>10%</b>
Africa	<b>38,794,793</b>	<b>3%</b>
Others	<b>158,676,439</b>	<b>11%</b>
	<b>1,403,280,920</b>	<b>100%</b>
<b>For the year ended 31 December 2021</b>		
	<b>Amount</b>	
	<b>SR</b>	<b>Percentage</b>
Kingdom of Saudi Arabia	482,157,923	43%
Asia	321,286,167	29%
Other Middle Eastern Countries	91,740,808	8%
Africa	37,913,985	4%
Others	182,780,817	16%
	1,115,879,700	100%

The Company monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by same party. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for individual marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk, however, for treaties where there are multiple risks are covered, there are limits for unknown accumulation. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to the levels acceptable to the Company.

**Key assumptions**

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss ratio was determined using actuarial methods.

**Sensitivities**

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

	<b>Change in assumptions</b>	<b>Impact on net liabilities SR</b>	<b>Impact on net income SR</b>
<b>31 December 2022</b>			
Ultimate loss ratio	+10%	<b>59,504,424</b>	<b>(59,504,424)</b>
	-10%	<b>(59,504,424)</b>	<b>59,504,424</b>
	<b>Change in Assumptions</b>	<b>Impact on net liabilities SR</b>	<b>Impact on net income SR</b>
<b>31 December 2021</b>			
Ultimate loss ratio	+10%	56,531,201	(56,531,201)
	-10%	(56,531,201)	56,531,201

**31. RISK MANAGEMENT (CONTINUED)**

**31.2. Retrocession risk**

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionaire are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets

To minimize its exposure to significant losses from retrocessionaire insolvencies, the Company evaluates the financial condition of its retrocessionaires and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retrocessionaire.

Retrocessionaires are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- a. Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- b. Reputation of particular retrocessionaire companies.
- c. Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements. The net credit exposure in this connection is SR 248.3 million (due from retrocessionaires) (2021: SR 116.1 million).

**31.3. Regulatory framework risk**

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as capital adequacy to minimize the risk of default and insolvency on the part of the reinsurance companies and to enable them to meet unforeseen liabilities as these arise. The Company has stipulated risk management framework policy wherein the policies and procedures are defined to control and mitigate risk.

**31.4. Claims management risk**

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle.

The Company's claims teams are focused on delivering quality, reliable and speed of service. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

**31.5. Reserving and ultimate reserves risk**

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company actuarial team uses a range of recognised techniques to project ultimate claims, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business (see Note 4).

**31. RISK MANAGEMENT (CONTINUED)**
**31.6. Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position. 45% of the Company's receivables is due from two ceding and three broker companies as at 31 December 2022 (31 December 2021: 37%). The Company does not provide for reinsurance premium receivable from local ceding companies. However, the following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to ceding companies through monitoring outstanding receivables.

The credit ratings of the retrocessionaires ranges from B+ to AA.

The table below shows the maximum exposure to credit risk for the financial assets of the statements of financial position.

	31 December 2022		31 December 2021	
	SR		SR	
	Reinsurance operations	Shareholders' Operations	Reinsurance operations	Shareholders' Operations
Bank balances	20,447,316	11,049,678	21,815,318	5,939,195
Time Deposits	461,780,732	285,174,970	94,818,411	148,563,674
Reinsurance premium receivables, gross	324,354,438	--	244,929,293	--
Retroceded share of outstanding claims	167,700,801	--	149,332,878	--
Retroceded share of claims incurred but not reported	31,630,743	--	38,033,087	--
Retrocession balances receivable	23,730,685	--	13,063,654	--
Accrued special commission income from time deposits	1,911,342	5,763,345	310,793	1,999,309
Accrued income on statutory deposit	--	22,084,429	--	20,962,172
Accrued reinsurance premium	1,077,466,601	--	680,469,900	--
Held-to-maturity investments	25,000,000	362,652,522	25,000,000	273,022,312
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	344,544	4,831,351	38,656	6,771,817
Investments held at fair value through income statement	156,476,356	89,534,608	440,425,260	321,841,092
Other assets	64,138,256	38,064,151	1,159,530	37,754,216
	<b>2,354,981,814</b>	<b>819,155,054</b>	<b>1,709,396,780</b>	<b>816,853,787</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**31. RISK MANAGEMENT (CONTINUED)**
**31.6. Credit risk (continued)**

The used rating grades for investments are being adopted by Standard & Poors.

The credit quality for investments held at fair value through income statement is as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2022 SR	2021 SR	2022 SR	2021 SR
A	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>18,076,731</b>	7,916,163	<b>29,082,479</b>	46,926,547
A-	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>11,174,357</b>	13,278,319	<b>9,013,878</b>	10,173,322
A+	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>11,449,096</b>	5,090,338	<b>9,235,499</b>	3,900,015
AA	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>1,499,497</b>	1,723,969	<b>1,209,581</b>	1,320,837
AA-	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>2,960,914</b>	--	<b>2,388,443</b>	--
BBB	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>13,884,426</b>	18,079,110	<b>11,199,976</b>	13,851,498
BBB-	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>6,940,286</b>	9,461,479	<b>5,598,433</b>	7,249,010
BBB+	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>14,013,829</b>	17,756,522	<b>11,304,359</b>	13,604,344
Unrated		Bonds / Sukuks	<b>4,916,571</b>	24,072,092	<b>1,110,760</b>	18,434,390
Unrated		Money Market Funds / Investment Funds	<b>71,560,649</b>	343,047,268	<b>9,391,200</b>	206,381,129
			<b>156,476,356</b>	440,425,260	<b>89,534,608</b>	321,841,092

The credit quality for held to maturity investments are as follows:

Credit quality	Credit Rating Agency	Financial Instruments	Reinsurance operations		Shareholders' operations	
			2022 SR	2021 SR	2022 SR	2021 SR
A-	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	<b>29,312,357</b>	--
A1	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	<b>37,500,000</b>	37,500,000
A-1	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	<b>4,112,115</b>	4,110,447
BBB+	S&P/ Moody's/Fitch	Bonds / Sukuks	<b>25,000,000</b>	25,000,000	<b>170,321,199</b>	127,674,304
BB-	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	<b>72,080,536</b>	92,958,228
B+	S&P/ Moody's/Fitch	Bonds / Sukuks	--	--	<b>48,019,065</b>	10,779,333
Unrated		Bonds / Sukuks	--	--	<b>1,307,250</b>	--
			<b>25,000,000</b>	25,000,000	<b>362,652,522</b>	273,022,312

**31.7. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All time deposits held by the Company at the statement of financial position date had original maturity periods less than five years.



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**31. RISK MANAGEMENT (CONTINUED)**
**31.7. Liquidity risk (continued)**
**Maturity profiles**

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

<b>31 December 2022</b>						
	<b>Reinsurance' operations</b>			<b>Shareholders' operations</b>		
	<b>Up to</b>	<b>More than</b>	<b>Total</b>	<b>Up to</b>	<b>More than</b>	<b>Total</b>
	<b>one year</b>	<b>one year</b>		<b>one year</b>	<b>one year</b>	
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>LIABILITIES</b>						
Accounts payable	70,482,781	--	70,482,781	--	--	--
Retrocession balances payable	136,373,790	--	136,373,790	--	--	--
Accrued retroceded premiums	--	333,253,698	333,253,698	--	--	--
Outstanding claims	822,404,823	--	822,404,823	--	--	--
Claims incurred but not reported	533,120,986	--	533,120,986	--	--	--
Accrued expenses and other liabilities	80,368,203	--	80,368,203	4,652,862	--	4,652,862
Margin loan payable	--	--	--	--	56,797,019	56,797,019
	<b>1,642,750,583</b>	<b>333,253,698</b>	<b>1,976,004,281</b>	<b>4,652,862</b>	<b>56,797,019</b>	<b>61,449,881</b>
<b>31 December 2021</b>						
	<b>Reinsurance' operations</b>			<b>Shareholders' operations</b>		
	<b>Up to</b>	<b>More than</b>	<b>Total</b>	<b>Up to</b>	<b>More than</b>	<b>Total</b>
	<b>one year</b>	<b>one year</b>		<b>one year</b>	<b>one year</b>	
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>LIABILITIES</b>						
Accounts payable	44,041,910	--	44,041,910	--	--	--
Retrocession balances payable	48,771,678	--	48,771,678	--	--	--
Accrued retroceded premiums	--	35,491,960	35,491,960	--	--	--
Outstanding claims	782,990,731	--	782,990,731	--	--	--
Claims incurred but not reported	427,396,736	--	427,396,736	--	--	--
Accrued expenses and other liabilities	15,704,756	--	15,704,756	4,354,427	--	4,354,427
Margin loan payable	--	--	--	--	56,797,019	56,797,019
	<b>1,318,905,811</b>	<b>35,491,960</b>	<b>1,354,397,771</b>	<b>4,354,427</b>	<b>56,797,019</b>	<b>61,151,446</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**31. RISK MANAGEMENT (CONTINUED)**
**31.7. Liquidity risk (continued)**
**Liquidity profile**
**Maturity analysis on expected maturity bases**

	31 December 2022					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
<b>ASSETS</b>						
Cash and cash equivalents	20,507,026	--	20,507,026	11,049,678	--	11,049,678
Time Deposits	--	461,780,732	461,780,732	25,397,213	259,777,757	285,174,970
Accrued special commission income from time deposits	1,911,342	--	1,911,342	5,763,345	--	5,763,345
Reinsurance premium receivables, net	320,974,537	--	320,974,537	--	--	--
Investments held at fair value through income statement	156,476,356	--	156,476,356	130,677,937	--	130,677,937
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	344,544	--	344,544	4,831,351	--	4,831,351
Accrued reinsurance premiums	--	1,077,466,601	1,077,466,601	--	--	--
Retroceded share of outstanding claims	167,700,801	--	167,700,801	--	--	--
Retroceded share of claims incurred but not reported	31,630,743	--	31,630,743	--	--	--
Held-to-maturity investments	--	25,000,000	25,000,000	32,918,372	329,734,150	362,652,522
Other assets	64,138,256	--	64,138,256	38,064,151	--	38,064,151
	<b>763,683,605</b>	<b>1,564,247,333</b>	<b>2,327,930,938</b>	<b>248,702,047</b>	<b>589,511,907</b>	<b>838,213,954</b>

	31 December 2022					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
<b>LIABILITIES</b>						
Accounts payable	70,482,781	--	70,482,781	--	--	--
Retrocession balances payable	136,373,790	--	136,373,790	--	--	--
Accrued retroceded premiums	--	333,253,698	333,253,698	--	--	--
Outstanding claims	822,404,823	--	822,404,823	--	--	--
Claims incurred but not reported	533,120,986	--	533,120,986	--	--	--
Accrued expenses and other liabilities	80,368,203	--	80,368,203	4,652,862	--	4,652,862
Margin loan payable	--	--	--	--	56,797,019	56,797,019
	<b>1,642,750,583</b>	<b>333,253,698</b>	<b>1,976,004,281</b>	<b>4,652,862</b>	<b>56,797,019</b>	<b>61,449,881</b>
Gap	<b>(879,066,978)</b>	<b>1,230,993,635</b>	<b>351,926,657</b>	<b>244,049,185</b>	<b>532,714,888</b>	<b>776,764,073</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**
**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**31. RISK MANAGEMENT (CONTINUED)**
**31.7. Liquidity risk (continued)**
**Liquidity profile (continued)**
**Maturity analysis on expected maturity bases (continued)**

	31 December 2021					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
<b>ASSETS</b>						
Cash and cash equivalents	21,868,099	--	21,868,099	5,939,195	--	5,939,195
Time Deposits	94,818,411	--	94,818,411	148,563,674	--	148,563,674
Accrued special commission income from time deposits	310,793	--	310,793	1,999,309	--	1,999,309
Reinsurance premium receivables, net	242,229,593	--	242,229,593	--	--	--
Investments held at fair value through income statement	440,425,260	--	440,425,260	363,159,336	--	363,159,336
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	38,656	--	38,656	6,771,817	--	6,771,817
Accrued reinsurance premiums	--	680,469,900	680,469,900	--	--	--
Retroceded share of outstanding claims	149,332,878	--	149,332,878	--	--	--
Retroceded share of claims incurred but not reported	38,033,087	--	38,033,087	--	--	--
Held to maturity investments	--	25,000,000	25,000,000	--	273,022,312	273,022,312
Other assets	1,159,530	--	1,159,530	37,754,216	--	37,754,216
	<u>988,216,307</u>	<u>705,469,900</u>	<u>1,693,686,207</u>	<u>564,187,547</u>	<u>273,022,312</u>	<u>837,209,859</u>

	31 December 2021					
	Reinsurance' operations			Shareholders' operations		
	Current SR	Non-current SR	Total SR	Current SR	Non-current SR	Total SR
<b>LIABILITIES</b>						
Accounts payable	44,041,910	--	44,041,910	--	--	--
Retrocession balances payable	48,771,678	--	48,771,678	--	--	--
Accrued retroceded premiums		35,491,960	35,491,960	--	--	--
Outstanding claims	782,990,731	--	782,990,731	--	--	--
Claims incurred but not reported	427,396,736	--	427,396,736	--	--	--
Accrued expenses and other liabilities	15,704,756	--	15,704,756	4,354,427	--	4,354,427
Margin loan payable	--	--	--	--	56,797,019	56,797,019
	<u>1,318,905,811</u>	<u>35,491,960</u>	<u>1,354,397,771</u>	<u>4,354,427</u>	<u>56,797,019</u>	<u>61,151,446</u>
Gap	<u>(330,689,504)</u>	<u>669,977,940</u>	<u>339,288,436</u>	<u>559,833,120</u>	<u>216,225,293</u>	<u>776,058,413</u>

**31.8. Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions that are not denominated in Saudi Riyals were undertaken in foreign currencies which are pegged to USD. Furthermore, Saudi Riyals are pegged to USD.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**31. RISK MANAGEMENT (CONTINUED)**

**31.8. Currency risk (continued)**

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

<b>31 December 2022</b>	<b>USD</b>	<b>QAR</b>	<b>AED</b>	<b>EUR</b>	<b>KWD</b>	<b>INR</b>	<b>Others</b>	<b>Total</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>ASSETS</b>								
Cash and cash equivalents	11,562,369	--	601,632	988,821	--	--	2,214,355	15,367,177
Reinsurance premium receivables, net	19,801,158	651,837	39,776,730	1,637,254	9,922,070	27,741,886	97,351,739	196,882,674
Investments held at fair value through income statement	150,558,366	--	--	--	--	--	--	150,558,366
Held-to-maturity investment	327,652,522	--	--	--	--	--	--	327,652,522
Accrued reinsurance premiums	--	(55,136)	352,487	402,706	16,115	20,151,715	13,588,300	34,456,187
Retroceded share of unearned premiums	(90,048)	--	(3,038)	--	--	--	536,352	443,266
Retroceded share of outstanding claims	--	--	--	--	--	--	--	--
Deferred policy acquisition costs	7,055,608	53,948	2,030,639	18,178	1,134,232	573,803	9,697,277	20,563,685
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	2,452,667	--	--	--	--	--	--	2,452,667
Investment in an equity accounted investee	156,802,667	--	--	--	--	--	--	156,802,667
	<b>675,795,309</b>	<b>650,649</b>	<b>42,758,450</b>	<b>3,046,959</b>	<b>11,072,417</b>	<b>48,467,404</b>	<b>123,388,023</b>	<b>905,179,211</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**31. RISK MANAGEMENT (CONTINUED)**

**31.8. Currency risk (continued)**

<b>31 December 2021</b>	<b>USD</b>	<b>QAR</b>	<b>AED</b>	<b>EUR</b>	<b>KWD</b>	<b>INR</b>	<b>Others</b>	<b>Total</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>ASSETS</b>								
Cash and cash equivalents	13,343,794	--	55,893	209,844	--	--	484,324	14,093,855
Reinsurance premium receivables, net	--	436,630	26,356,855	8,759,658	9,542,796	18,978,020	93,461,929	157,535,888
Investments held at fair value through income statement	171,976,458	--	--	--	--	--	--	171,976,458
Held-to-maturity investment	238,022,312	--	--	--	--	--	--	238,022,312
Accrued reinsurance premiums	3,218,478	28,892	304,114	578,200	170,344	9,146,848	13,371,205	26,818,081
Retroceded share of unearned premiums	21,748,524	--	--	--	--	--	8,120,657	29,869,181
Retroceded share of outstanding claims	358,579	--	--	--	--	--	--	358,579
Deferred policy acquisition costs	6,155,113	42,485	1,792,639	16,954	1,035,227	1,537,025	12,309,414	22,888,857
Accrued dividends and special commission income from bonds, sukuk and held to maturity investments	3,158,204	--	--	--	--	--	--	3,158,204
Investment in an equity accounted investee	142,000,373	--	--	--	--	--	--	142,000,373
	<b>599,981,835</b>	<b>508,007</b>	<b>28,509,501</b>	<b>9,564,656</b>	<b>10,748,367</b>	<b>29,661,893</b>	<b>127,747,529</b>	<b>806,721,788</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**31. RISK MANAGEMENT (CONTINUED)**

**31.8. Currency risk (continued)**

<b>31 December 2022</b>	<b>USD</b>	<b>QAR</b>	<b>AED</b>	<b>EUR</b>	<b>KWD</b>	<b>INR</b>	<b>Others</b>	<b>Total</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>LIABILITIES</b>								
Accounts payable	19,949,038	1,503,158	379,028	(4,550,165)	1,300,025	1,492,503	3,485,746	23,559,333
Unearned premiums	46,101,362	306,482	9,595,541	1,246,436	4,127,116	4,998,878	40,648,618	107,024,433
Outstanding claims	192,539,080	11,224,818	48,126,724	(2,776,770)	11,113,071	82,556,130	248,524,808	591,307,861
Margin loan payable	56,797,019	--	--	--	--	--	--	56,797,019
	<b>315,386,499</b>	<b>13,034,458</b>	<b>58,101,293</b>	<b>(6,080,499)</b>	<b>16,540,212</b>	<b>89,047,511</b>	<b>292,659,172</b>	<b>778,688,646</b>
<b>31 December 2021</b>	<b>USD</b>	<b>QAR</b>	<b>AED</b>	<b>EUR</b>	<b>KWD</b>	<b>INR</b>	<b>Others</b>	<b>Total</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>LIABILITIES</b>								
Accounts payable	18,488,873	1,832,563	(1,108,111)	1,026,386	269,405	(240,670)	8,809,117	29,077,563
Unearned premiums	40,343,794	254,170	7,274,479	84,940	4,267,068	10,952,454	48,372,332	111,549,237
Outstanding claims	215,974,638	12,327,847	39,998,319	3,156,212	15,006,014	85,782,023	211,380,454	583,625,507
Margin loan payable	56,797,019	--	--	--	--	--	--	56,797,019
	<b>331,604,324</b>	<b>14,414,580</b>	<b>46,164,687</b>	<b>4,267,538</b>	<b>19,542,487</b>	<b>96,493,807</b>	<b>268,561,903</b>	<b>781,049,326</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**31. RISK MANAGEMENT (CONTINUED)**

**31.9. Special commission rate risk**

The Company is exposed to special commission rate risk on its bonds and sukuk investments. Special Commission rate risk arises on bonds and sukuk which are exposed to the fluctuations in special commission rates.

The Company manages special commission rate risk by investing in various long and short duration financial assets, along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. Duration of reinsurance operations and Shareholders operations' investments in bonds and sukuk portfolios as at 31 December 2022 is around 3.7 years (31 December 2021: 5.1 years). A hypothetical increase/decrease of 10 basis points in yield curve will entail decrease/increase in bond/sukuk portfolio values of reinsurance operations and Shareholders operations' investments by SR 2.02 million as at 31 December 2022 (31 December 2021: SR 2.35 million).

**a. Market price risk**

Market price risk is the risk that the fair value of a financial instrument will fluctuate caused by the factors (other than those arising from commission rate risk or currency risk), that affect all financial instruments traded in the market.

Efficient management of market price risk is key to the investment of Company assets. Appropriate levels of investment risk is determined by risk/return profile of the assets. The Company has a diversified portfolio of investments, including investment in the listed equities securities. The Company manages the equity market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of income by increase / decrease of SR 2.52 million (2021: 5.67 million).

**31.10. Capital management risk**

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	<b>2022</b>	<b>2021</b>
	<b>SR</b>	<b>SR</b>
Total capital held	<u><b>1,000,016,169</b></u>	<u>963,996,157</u>
Minimum regulatory capital	<u><b>200,000,000</b></u>	<u>200,000,000</u>

In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

**b. Fair value of financial instruments**

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2022**
**32. CONTINGENCIES AND COMMITMENTS**
*a) Legal proceedings and regulations*

The Company operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

*b) Recoverable and Guarantee deposits*

The Company has investments in fixed income securities amounting to SR 150,558,366 (31 December 2021: 171,976,458) which have been classified under Investments held at fair value through income statement. These investments are held with Lloyd's London as Funds at Lloyd's (FAL) which is used as a collateral for its continued participation in a Lloyds Syndicates and for 2020, 2021 and 2022 underwriting year.

**33. SUPPLEMENTARY INFORMATION**
**Statement of financial position**

	31 December 2022			31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	20,507,026	11,049,678	31,556,704	21,868,099	5,939,195	27,807,294
Time deposits	461,780,732	285,174,970	746,955,702	94,818,411	148,563,674	243,382,085
Accrued special commission income from time deposits	1,911,342	5,763,345	7,674,687	310,793	1,999,309	2,310,102
Reinsurance premium receivables, net	320,974,537	--	320,974,537	242,229,593	--	242,229,593
Investments held at fair value through income statement	156,476,356	130,677,937	287,154,293	440,425,260	363,159,336	803,584,596
Accrued dividends and special commission income from bonds, sukuk and held-to-maturity investments	344,544	4,831,351	5,175,895	38,656	6,771,817	6,810,473
Accrued reinsurance premiums	1,077,466,601	--	1,077,466,601	680,469,900	--	680,469,900
Retrocession balances receivable	23,730,685	--	23,730,685	13,063,654	--	13,063,654
Retroceded share of unearned premiums	449,092,548	--	449,092,548	67,952,509	--	67,952,509
Deferred excess of loss premiums	15,410,168	--	15,410,168	12,049,562	--	12,049,562
Retroceded share of outstanding claims	167,700,801	--	167,700,801	149,332,878	--	149,332,878
Retroceded share of claims incurred but not reported	31,630,743	--	31,630,743	38,033,087	--	38,033,087
Deferred policy acquisition costs	231,430,099	--	231,430,099	168,598,147	--	168,598,147
Held-to-maturity investments	25,000,000	362,652,522	387,652,522	25,000,000	273,022,312	298,022,312
Prepaid expenses, deposits and other assets	109,747,226	38,670,536	148,417,762	36,197,619	38,406,725	74,604,344
Property and equipment, net	8,418,502	27,960,707	36,379,209	8,469,458	28,686,369	37,155,827
Investment in an equity accounted investee	--	156,802,667	156,802,667	--	142,000,373	142,000,373
Statutory deposit	--	89,100,000	89,100,000	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	22,084,429	22,084,429	--	20,962,172	20,962,172
Due from shareholders' operations*	28,549,749	--	28,549,749	53,698,938	--	53,698,938
<b>TOTAL ASSETS</b>	<b>3,130,171,659</b>	<b>1,134,768,142</b>	<b>4,264,939,801</b>	<b>2,052,556,564</b>	<b>1,118,611,282</b>	<b>3,171,167,846</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**33. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of financial position (continued)**

	31 December 2022			31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>LIABILITIES</b>						
Accounts payable	70,482,781	--	70,482,781	44,041,910	--	44,041,910
Margin payable	--	56,797,019	56,797,019	--	56,797,019	56,797,019
Retrocession balances payable	136,373,790	--	136,373,790	48,771,678	--	48,771,678
Accrued retroceded premiums	333,253,698	--	333,253,698	35,491,960	--	35,491,960
Unearned premiums	1,000,717,671	--	1,000,717,671	648,869,489	--	648,869,489
Outstanding claims	822,404,823	--	822,404,823	782,990,731	--	782,990,731
Claims incurred but not reported	533,120,986	--	533,120,986	427,396,736	--	427,396,736
Unearned retrocession commission	104,561,078	--	104,561,078	17,149,629	--	17,149,629
Accrued expenses and other liabilities	100,430,873	4,702,154	105,133,027	25,495,048	4,402,178	29,897,226
Employees' end of service benefits	13,867,730	--	13,867,730	12,288,391	--	12,288,391
Provision for zakat and tax	--	17,533,163	17,533,163	--	15,266,235	15,266,235
Accrued commission income payable to SAMA	--	23,219,213	23,219,213	--	20,962,172	20,962,172
Accumulated surplus	18,908,904	--	18,908,904	13,549,575	--	13,549,575
Due to reinsurance operations*	--	28,549,749	28,549,749	--	53,698,938	53,698,938
<b>TOTAL LIABILITIES</b>	<b>3,134,122,334</b>	<b>130,801,298</b>	<b>3,264,923,632</b>	<b>2,056,045,147</b>	<b>151,126,542</b>	<b>2,207,171,689</b>
<b>EQUITY</b>						
Share capital	--	891,000,000	891,000,000	--	891,000,000	891,000,000
Statutory reserve	--	43,045,308	43,045,308	--	34,749,555	34,749,555
Retained earnings	--	68,678,196	68,678,196	--	35,495,182	35,495,182
Other reserves	(3,950,675)	1,243,340	(2,707,335)	(3,488,583)	6,240,003	2,751,420
<b>TOTAL EQUITY</b>	<b>(3,950,675)</b>	<b>1,003,966,844</b>	<b>1,000,016,169</b>	<b>(3,488,583)</b>	<b>967,484,740</b>	<b>963,996,157</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,130,171,659</b>	<b>1,134,768,142</b>	<b>4,264,939,801</b>	<b>2,052,556,564</b>	<b>1,118,611,282</b>	<b>3,171,167,846</b>

**Statement of income**

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross written premiums	1,403,280,920	--	1,403,280,920	1,115,879,700	--	1,115,879,700
Retroceded premiums						
- Local	--	--	--	--	--	--
- Foreign	(462,919,962)	--	(462,919,962)	(123,897,906)	--	(123,897,906)
Excess of loss expenses						
- Local	--	--	--	--	--	--
- Foreign	(41,761,879)	--	(41,761,879)	(33,014,126)	--	(33,014,126)
<b>Net written premiums</b>	<b>898,599,079</b>	<b>--</b>	<b>898,599,079</b>	<b>958,967,668</b>	<b>--</b>	<b>958,967,668</b>
Changes in net unearned premiums	29,291,857	--	29,291,857	(104,237,572)	--	(104,237,572)
<b>Net earned premiums</b>	<b>927,890,936</b>	<b>--</b>	<b>927,890,936</b>	<b>854,730,096</b>	<b>--</b>	<b>854,730,096</b>
Retrocession commissions	14,815,510	--	14,815,510	19,675,509	--	19,675,509
<b>TOTAL REVENUES</b>	<b>942,706,446</b>	<b>--</b>	<b>942,706,446</b>	<b>874,405,605</b>	<b>--</b>	<b>874,405,605</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(537,845,426)	--	(537,845,426)	(471,215,536)	--	(471,215,536)
Retroceded share of claims paid	75,973,954	--	75,973,954	61,706,979	--	61,706,979
<b>Net claims paid</b>	<b>(461,871,472)</b>	<b>--</b>	<b>(461,871,472)</b>	<b>(409,508,557)</b>	<b>--</b>	<b>(409,508,557)</b>
Changes in outstanding claims, net	(21,046,169)	--	(21,046,169)	(71,385,295)	--	(71,385,295)
Changes in incurred but not reported claims, net	(112,126,594)	--	(112,126,594)	(84,418,161)	--	(84,418,161)
<b>Net claims incurred</b>	<b>(595,044,235)</b>	<b>--</b>	<b>(595,044,235)</b>	<b>(565,312,013)</b>	<b>--</b>	<b>(565,312,013)</b>
Policy acquisition costs and profit commissions	(218,198,524)	--	(218,198,524)	(232,404,118)	--	(232,404,118)
Other underwriting expenses	(1,995,257)	--	(1,995,257)	(5,063,046)	--	(5,063,046)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(815,238,016)</b>	<b>--</b>	<b>(815,238,016)</b>	<b>(802,779,177)</b>	<b>--</b>	<b>(802,779,177)</b>
<b>NET UNDERWRITING INCOME</b>	<b>127,468,430</b>	<b>--</b>	<b>127,468,430</b>	<b>71,626,428</b>	<b>--</b>	<b>71,626,428</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

33. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of income (continued)

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Special commission income from time deposits	8,510,973	8,211,262	16,722,235	787,791	4,524,495	5,312,286
Realized gains on investments held at fair value through income statement	1,738,256	4,791,466	6,529,722	1,801,671	5,407,445	7,209,116
Unrealized (losses) / gains on investments held at fair value through income statement	(12,111,434)	(21,868,130)	(33,979,564)	1,811,515	3,101,157	4,912,672
Special commission income from bonds and sukuk	3,673,928	18,331,375	22,005,303	38,656	13,509,069	13,547,725
Special commission expense from margin loan payable	--	(1,207,363)	(1,207,363)	--	(432,140)	(432,140)
Dividend income	--	2,160,538	2,160,538	--	1,092,430	1,092,430
Share of profit of equity accounted investee	--	19,798,957	19,798,957	--	18,657,921	18,657,921
Investment management expenses	(145,915)	(3,572,944)	(3,718,859)	(464,139)	(2,891,615)	(3,355,754)
<b>Net investment income</b>	<b>1,665,808</b>	<b>26,645,161</b>	<b>28,310,969</b>	<b>3,975,494</b>	<b>42,968,762</b>	<b>46,944,256</b>
Other income	593,936	19,644	613,580	730,312	378,754	1,109,066
Charge for doubtful debts	(680,201)	--	(680,201)	(153,851)	--	(153,851)
General and administrative expenses	(59,849,740)	(14,494,080)	(74,343,820)	(46,866,432)	(8,592,379)	(55,458,811)
Board of directors' remunerations, meetings fees and expenses	--	(3,660,415)	(3,660,415)	--	(4,798,017)	(4,798,017)
Foreign exchange translation losses	(15,604,941)	--	(15,604,941)	(3,599,722)	216,812	(3,382,910)
<b>Total income for the year before zakat and tax</b>	<b>53,593,292</b>	<b>8,510,310</b>	<b>62,103,602</b>	<b>25,712,229</b>	<b>30,173,932</b>	<b>55,886,161</b>
Transfer of surplus to shareholders' operations	(48,233,963)	48,233,963	--	(23,141,006)	23,141,006	--
<b>Net income for the year before zakat and tax</b>	<b>5,359,329</b>	<b>56,744,273</b>	<b>62,103,602</b>	<b>2,571,223</b>	<b>53,314,938</b>	<b>55,886,161</b>
Zakat and tax charge for the year	--	(15,265,506)	(15,265,506)	--	(15,005,543)	(15,005,543)
<b>Net income for the year after zakat and tax attributable to the shareholders</b>	<b>5,359,329</b>	<b>41,478,767</b>	<b>46,838,096</b>	<b>2,571,223</b>	<b>38,309,395</b>	<b>40,880,618</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**33. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of comprehensive income**

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>Net income for the year after zakat and tax</b>	<b>5,359,329</b>	<b>41,478,767</b>	<b>46,838,096</b>	2,571,223	38,309,395	40,880,618
<i>Other comprehensive income</i>						
<b>Items that will not be reclassified to income statement subsequently</b>						
Re-measurement of employee' end of service benefit obligations actuarial loss	(462,092)	--	(462,092)	(694,084)	--	(694,084)
<b>Items that may be classified to income statement subsequently</b>						
Share of foreign currency translation reserve an equity accounted investee	--	(8,258,424)	(8,258,424)	--	(1,429,969)	(1,429,969)
<b>Total comprehensive income for the year</b>	<b>4,897,237</b>	<b>33,220,343</b>	<b>38,117,580</b>	1,877,139	36,879,426	38,756,565

**Reconciliation:**

Less: Net income attributable to reinsurance operations transferred to surplus payable	<u>(5,359,329)</u>	<u>(2,571,223)</u>
<b>Total comprehensive income for the year</b>	<u><b>32,758,251</b></u>	<u><b>36,185,342</b></u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**33. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of cash flows**

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
<b>OPERATING ACTIVITIES</b>						
Total income for the year before zakat and tax	5,359,329	56,744,273	62,103,602	2,571,223	53,314,938	55,886,161
<i>Adjustments to reconcile net income for the year to net cash from operating activities:</i>						
Employees' end of service benefits	1,561,131	--	1,561,131	1,341,020	--	1,341,020
Special commission income from bond and sukuk	(3,673,928)	(15,658,958)	(19,332,886)	(38,656)	(10,096,015)	(10,134,671)
Special commission on margin loan	--	1,207,363	1,207,363	--	432,140	432,140
Special commission income from time deposits	(8,510,973)	(8,211,262)	(16,722,235)	(787,791)	(4,524,495)	(5,312,286)
Amortisation of discount and premium on held to maturity investments	--	(2,672,417)	(2,672,417)	--	(3,413,054)	(3,413,054)
Depreciation of property and equipment	1,891,212	930,961	2,822,173	1,833,534	779,421	2,612,955
Gain on disposal of property and equipment	--	--	--	(41,454)	--	(41,454)
Realized gains on investments held at fair value through income statement	(1,738,256)	(4,791,466)	(6,529,722)	(1,801,671)	(5,407,445)	(7,209,116)
Unrealized losses / (gains) on investments held at fair value through income statement	12,111,434	21,868,130	33,979,564	(1,811,515)	(3,101,157)	(4,912,672)
Share of profit of equity accounted investee	--	(19,798,957)	(19,798,957)	--	(18,657,921)	(18,657,921)
Charge / (Reversal) of doubtful debts	680,201	--	680,201	153,851	--	153,851
Operating income before changes in operating assets and liabilities	7,680,150	29,617,667	37,297,817	1,418,541	9,326,412	10,744,953
<b>Changes in operating assets and liabilities:</b>						
Premium receivable	(79,424,793)	--	(79,424,793)	51,371,704	--	51,371,704
Accrued reinsurance premiums	(396,996,701)	--	(396,996,701)	(86,206,823)	--	(86,206,823)
Retroceded share of unearned premiums	(381,140,039)	--	(381,140,039)	3,909,265	--	3,909,265
Unearned premiums	351,848,182	--	351,848,182	100,328,307	--	100,328,307
Retroceded share of outstanding claims	(18,367,923)	--	(18,367,923)	5,341,430	--	5,341,430
Retroceded share of claims incurred but not reported	6,402,344	--	6,402,344	7,763,206	--	7,763,206
Deferred acquisition costs	(62,831,952)	--	(62,831,952)	(19,194,868)	--	(19,194,868)
Deferred excess of loss premiums	(3,360,606)	--	(3,360,606)	734,131	--	734,131
Prepaid expenses, deposits and other assets	(73,549,607)	(263,811)	(73,813,418)	40,974,796	1,543,286	42,518,082
Accounts payable	26,440,871	--	26,440,871	12,067,123	--	12,067,123
Retrocession balances receivable	(10,667,031)	--	(10,667,031)	16,445,367	--	16,445,367
Retrocession balances payable	87,602,112	--	87,602,112	(28,448,079)	--	(28,448,079)
Accrued retroceded premiums	297,761,738	--	297,761,738	(4,320,405)	--	(4,320,405)
Outstanding claims	39,414,092	--	39,414,092	66,043,865	--	66,043,865
Claims incurred but not reported	105,724,250	--	105,724,250	76,654,955	--	76,654,955
Unearned commission income	87,411,449	--	87,411,449	1,344,444	--	1,344,444
Statutory Deposit	--	--	--	--	(8,100,000)	(8,100,000)
Accrued expenses and other liabilities	74,935,825	299,976	75,235,801	4,823,819	1,212,643	6,036,462
	58,882,361	29,653,832	88,536,193	251,050,778	3,982,341	255,033,119

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**33. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of cash flows (continued)**

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Zakat and income tax paid	--	(12,998,578)	(12,998,578)	--	(14,913,138)	(14,913,138)
Employees' end of service benefits paid	(443,884)	--	(443,884)	(419,904)	--	(419,904)
<b>Net cash generated from / (used in) operating activities</b>	<b>58,438,477</b>	<b>16,655,254</b>	<b>75,093,731</b>	250,630,874	(10,930,797)	239,700,077
<b>INVESTING ACTIVITIES</b>						
Additions in time deposits	(366,962,321)	(167,421,296)	(534,383,617)	(94,821,108)	(213,497,642)	(308,318,750)
Proceeds from maturity of time deposits	--	30,810,000	30,810,000	10,127,699	248,268,468	258,396,167
Accrued special commission income on time deposits	6,910,424	4,447,226	11,357,650	1,262,484	4,951,193	6,213,677
Accrued special commission income from bonds and sukuk	3,368,040	17,599,424	20,967,464	--	9,504,843	9,504,843
Accrued income on statutory deposit	--	1,134,784	1,134,784			
Purchase of property and equipment	(1,840,608)	(205,299)	(2,045,907)	(5,536,329)	(607,167)	(6,143,496)
Proceeds from sale of property and equipment	--	--	--	41,500	--	41,500
Additions in investments held at fair value through income statement	(52,590,590)	(163,200,806)	(215,791,396)	(379,851,180)	(291,793,053)	(671,644,233)
Additions in held to maturity investments	--	(110,957,793)	(110,957,793)	(25,000,000)	(85,586,537)	(110,586,537)
Proceeds from disposal of investments held at fair value through income statement	326,166,316	378,605,541	704,771,857	241,420,157	322,819,104	564,239,261
Proceeds from maturity of held-to-maturity investments	--	24,000,000	24,000,000	--	--	--
<b>Net cash used in from investing activities</b>	<b>(84,948,739)</b>	<b>14,811,781</b>	<b>(70,136,958)</b>	<b>(252,356,777)</b>	<b>(5,940,791)</b>	<b>(258,297,568)</b>
<b>FINANCING ACTIVITIES</b>						
Due to / from reinsurance / shareholders' operations*	25,149,189	(25,149,189)	--	15,559,655	(15,559,655)	--
Proceeds from margin loans	--	--	--	--	33,680,203	33,680,203
Special commission expense paid against margin loans	--	(1,207,363)	(1,207,363)	--	(432,140)	(432,140)
<b>Net cash generated from financing activities</b>	<b>25,149,189</b>	<b>(26,356,552)</b>	<b>(1,207,363)</b>	<b>15,559,655</b>	<b>17,688,408</b>	<b>33,248,063</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,361,073)</b>	<b>5,110,483</b>	<b>3,749,410</b>	<b>13,833,752</b>	<b>816,820</b>	<b>14,650,572</b>
Cash and cash equivalents at the beginning of the year	21,868,099	5,939,195	27,807,294	8,034,347	5,122,375	13,156,722
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>20,507,026</b>	<b>11,049,678</b>	<b>31,556,704</b>	<b>21,868,099</b>	<b>5,939,195</b>	<b>27,807,294</b>

\* These items are not included in the statement of financial position and the statement of cash flows.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

**34. RECLASSIFICATION**

During the period, the Company has reclassified the Company has reclassified deposits with Lloyd's London from Prepaid expenses, deposits and other assets to Investments held at fair value through income statement. The reclassification was done to conform to the current period presentation and the impact to the overall financial statement's presentation is not material.

The following table shows the impact on each financial statement caption affected by the reclassification:

Financial statement caption	31 December 2021 (before reclassification)	Reclassification	31 December 2021 (after reclassification)
Prepaid expenses, deposits and other assets	246,580,802	(171,976,458)	74,604,344
Investments held at fair value through income statement	631,608,138	171,976,458	803,584,596

**35. SUBSEQUENT EVENT**

Subsequent to the reporting date, the new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association/By-Laws to the shareholders/partners in their Extraordinary/Annual General Assembly meeting for their ratification.

**36. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 27 Shaban 1444H corresponding to 19 March 2023.